



[Print financials](#)

Primeserv Group Limited
("Primeserv" or "the Group")
Incorporated in the Republic of South Africa
(Registration number 1997/013448/06)

**UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED
31 DECEMBER
2003**



COMMENTS

Introduction

Primeserv is an investment holding company with specialised operations that meet the human resources (HR) needs of the South African corporate, industrial and government sectors. The Group's products and services are provided through a proprietary, integrated HR model with two main focus areas: Staffing Services comprising the Outsourcing and Recruitment divisions; and Corporate and Organisational Services, which incorporates the Group's Training and Solutions divisions.

Operational Review

The six months to 31 December 2003 was marked by significant progress towards the realisation of the Group's mission to provide an integrated HR services offering. This was supported by substantial investment in HR product and service development, as well as the appointment of appropriately qualified staff who can deliver the Group's unique service model. Recognising that Primeserv is a "people" organisation in every sense of the word, human capital development will continue to be a key driver of the Group into the future, ensuring it sustains its organic growth momentum

The Group's Staffing Services operation turned in satisfactory results for the review period. This was led by a solid performance by the Outsourcing division which successfully implemented its strategy of streamlining sales to improve margins and cash flows. During the review period this division also launched its national flexible staffing operation into higher margin niche markets and this is expected to contribute meaningfully to earnings in the next period. The division is now well placed to resume sales growth. The Recruitment division substantially reduced the loss experienced in the second half of the previous financial year.

There was also an improved performance by the Group's Corporate and Organisational Services operations. Within the Training division, the Colleges experienced a profitable turnaround as a result of a strong student intake. The Technical and Corporate training units however, came under temporary downward revenue pressure, which is expected to reverse in the coming months. Previous losses experienced by the Group's strategic Solutions division have been brought under control as a result of steps taken to reduce expenditure while maintaining infrastructural delivery capability. This segment of the business is positioned to improve its performance in the short term.

Financial Review

Headline earnings per share increased by 28,2% from 1,42 cents to 1,82 cents for the half-year to end December 2003. Net income attributable to shareholders rose by 25,9% to R2,2 million (2002: R1,8 million). This result was aided by AC133 income assessed as applicable for the current six month period.

The Group's focus on working capital management, improved operating margins and cost containment, coupled with strategically streamlined income sources and effective management of difficult and at times erratic trading conditions, has resulted in a strengthened balance sheet, despite the fact that revenue for the review period declined by 14,7% to R209,9 million (2002: R246,1 million).

The Group's interest bill declined by 60,3% to R1,4 million (2002: R3,5 million) and net finance costs were reduced by R2,4 million which was also aided by the inclusion of interest received arising from the application of AC133.

Net borrowings declined by 66,2% or R14,7 million from R22,2 million at end December 2002 to R7,5 million at current half year end. This is indicative of the Group's continued improvement in working capital management and cash generation.

Accounting policies and review

The accounting policies used in preparing the half-year financial results are in accordance with South African Statements of Generally Accepted Accounting Practice and have been prepared on the basis consistent with those used in the Financial Statements for the year ended 30 June 2003.

Changes in directorate

In terms of the listings requirements of the JSE Securities Exchange South Africa, the positions of chairman and chief executive officer have been separated with effect 23 December 2003, through the appointment of J.M. Judin as non-executive chairman of the Group and with M. Abel remaining in the position of CEO. G. Magomola resigned effective 08 March 2004 and the Group thanks him for his valuable contribution.

Dividend

It is the Group's policy to consider an annual dividend after the year end relative to the financial year's result.

Prospects

Primeserv expects its integrated HR services operations to report improved performance for the second half of the year. The finalisation of the Group's BEE programme should further enhance Group opportunities. The Group will also seek complementary acquisitions aimed at enhancing its critical mass.

For and on behalf of the board

JM Judin

Non-Executive Chairman

M Abel

Chief Executive Officer

Sandton
9 March 2004

Directors

JM Judin (*Chairman*)*
M Abel (*CEO*)
PL Gray (*COO*)
Professor S Klein* (*American*)
CS Seabrooke*
DC Seaton
(**Non-executive*)

Company secretary

ER Goodman Secretarial Services cc

Registered address

Venture House, Peter Place Park,
54 Peter Place,
Bryanston 2021.
(P.O. Box 3008, Saxonwold, 2132)

Transfer secretaries

Computershare Limited
70 Marshall Street,
Marshalltown, Johannesburg 2001
(P.O. Box 61051, Marshalltown, 2107)

Sponsor

Deloitte & Touche Sponsor Services (Pty) Limited

e-mail: productivity@primeserv.co.za

Share code: PMV

ISIN number: ZAE 0000 39277

**INCOME STATEMENT**

Unaudited 6 months ended 31-Dec-03 R'000	%	Unaudited 6 months ended 31-Dec-02 R'000	Audited 12 months ended 30-Jun-02 R'000
	change		

Revenue*	209 879	(14,7)	246 191	464 046
Operating profit	5 068	(21,3)	6 443	10 038
(Loss)/profit on forex	(510)	-	-	989
Exceptional items	-	-	-	707
Depreciation	1 332	11,5	1 506	2 979
Goodwill amortisation	41	-	71	169
Net income before interest	3 185	(34,5)	4 866	7 172
Interest received*	1 427	26,8	1 133	4 453
Interest paid	(1 389)	(60,3)	(3 496)	(5 815)
Net income before taxation	3 233	29,2	2 503	5 810
Taxation	982	-	738	2 143
Income attributable to outside shareholders	29	-	-	5
Net income attributable to shareholders	2 222	25,9	1 765	3 662
Reconciliation of headline earnings				
Net income attributable to shareholders	2 222	25,9	1 765	3 662
After tax effect of (profit)/loss on sale of fixed assets	(25)	-	-	(5)
Goodwill amortisation	41	-	71	169
Headline earnings	2 238	21,9	1 836	3 826
Weighted average number of shares in issue ('000)	123 138	-	129 523	127 255
Earnings per share (cents)	1,80	32,4	1,36	2,88
Headline earnings per share (cents)	1,82	28,2	1,42	3,01
Diluted earnings per share (cents)	1,77	31,1	1,35	2,84
Dividend proposed per share (cents)	-	-	-	0,50

*Included in revenue and interest received is R1,9 million arising from the adoption of AC133. (Six months ended December 2002: nil)



SEGMENTAL ANALYSIS

	Unaudited 6 months ended 31-Dec-03 R'000	Unaudited 6 months ended 31-Dec-02 R'000	Audited 12 months ended 30-Jun-02 R'000
Revenue			
Staffing services	182 743	215 474	406 455
Corporate and organisational services	27 136	30 717	57 591
	209 879	246 191	464 046
Net income/(loss) before taxation			
Staffing services	6 061	3 872	13 347
Corporate and organisational services	(1 006)	577	(3 581)
	3 233	2 503	5 810



BALANCE SHEET

Unaudited

	31-Dec-03 R'000	Unaudited 31-Dec-02 R'000	Audited 30-Jun-03 R'000
ASSETS			
Non-current assets	16 669	43 381	20 762
Equipment and vehicles	3 844	5 646	4 749
Intangibles	616	1 207	657
Long-term receivables	5 306	4 998	5 932
Proceeds due from disposal of business	-	2 060	1 523
Deferred tax asset	6 582	33 024	7 564
Share incentive scheme	321	1 446	337
Current assets	69 122	88 674	78 131
Inventories	666	601	690
Trade receivables	50 691	66 702	55 779
Other receivables	10 378	16 040	12 124
Taxation	-	96	-
Cash at bank	7 387	5 235	9 538
Total assets	85 791	137 055	98 893
EQUITY AND LIABILITIES			
Capital and reserves	48 737	79 866	47 232
Non-current liabilities	1 396	1 400	1 246
Current liabilities	35 658	55 789	50 415
Trade and other payables	20 245	28 353	32 809
Short-term borrowings	200	3 220	2 219
Taxation	520	-	642
Bank borrowings	14 693	24 216	14 745
Total equity and liabilities	85 791	137 055	98 893
Number of shares in issue at end of period ('000)	121 517	124 986	124 986
Net asset value per share (cents)	40	64	38



CASH FLOW STATEMENT

	Unaudited 6 months ended 31-Dec-03 R'000	Unaudited 6 months ended 31-Dec-02 R'000	Audited 12 months ended 30-Jun-02 R'000
Operating activities	841	4 290	17 470
Investing activities	(1 042)	(1 415)	(242)
Financing activities	121	(20)	402
Net (decrease)/increase in cash at bank and borrowings	(80)	2 855	17 630
Cash at bank and borrowings at beginning of the period	(7 426)	(25 056)	(25 056)
Cash at bank and borrowings at end of the period	(7 506)	(22 201)	(7 426)



STATEMENT OF CHANGES IN EQUITY

	Unaudited 6 months ended 31-Dec-03 R'000	Unaudited 6 months ended 31-Dec-02 R'000	Audited 12 months ended 30-Jun-02 R'000
Balance at beginning of the period - as previously stated	47 232	79 214	79 214
Prior year adjustment	-	-	(6 915)
Balance at beginning of the period - restated	47 232	79 214	72 299
Deferred tax	-	-	(27 616)
Repurchase of securities	(717)	(1 113)	(1 113)
Net income for the period	2 222	1 765	3 662
Balance at end of the period	48 737	79 866	47 232