Reviewed interim results

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2010

("Primeserv" or "the Group" or "the Company") • Incorporated in the Republic of South Africa
Registration number: 1997/013448/06 • Share code: PMV • ISIN: ZAE000039277
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PRIMESERV GROUP LIMITED

Consolidated Condensed Statement of Comprehensive Income

for the 12 months ended 31 December 2010

	Reviewed 12 months ended 31 Dec 2010 R'000	Audited 12 months ended 31 Dec 2009 R'000
Revenue [(1)]	**529 036**	523 501
EBITDA	**11 496**	19 144
Depreciation	**(1 939)**	(1 660)
Operating profit	**9 557**	17 484
Interest received	**4 788**	4 533
Interest paid	**(4 498)**	(6 259)
Share of profit/(loss) from associate	**208**	(225)
Profit before taxation	**10 055**	15 533
Taxation	**(2 698)**	(3 745)
Total comprehensive income for the period	**7 357**	11 788
Total comprehensive income attributable to:		
Ordinary shareholders of the Company	**7 222**	11 451
Non-controlling interest	**135**	337
Total comprehensive income for the period	**7 357**	11 788
Reconciliation of headline earnings		
Net profit attributable to shareholders	**7 222**	11 451
After-tax effect of profit on sale of fixed assets	**–**	4
Headline earnings	**7 222**	11 455
Weighted average number of shares ('000)	**102 881**	108 980
Diluted weighted average number of shares ('000)	**102 881**	108 980
Earnings per share (cents)	**7,02**	10,51
Diluted earnings per share (cents)	**7,02**	10,51
Headline earnings per share (cents)	**7,02**	10,51
Diluted headline earnings per share (cents)	**7,02**	10,51

[(1)] **Revenue note:** *Excludes revenue of R53,3 million (Dec 2009: R55,7 million) from Bathusi Staffing Services (Proprietary) Limited, which was deconsolidated as a result of a B-BBEE transaction and has since been accounted for as an associate.*

Segmental Analysis

for the 12 months ended 31 December 2010

	Reviewed 12 months ended 31 Dec 2010 R'000	Audited 12 months ended 31 Dec 2009 R'000
Revenue		
Human Capital Outsourcing	**492 737**	478 101
Human Capital Development	**36 299**	45 400
	529 036	523 501
Operating profit/(loss)		
Human Capital Outsourcing	**16 478**	19 214
Human Capital Development	**(3 607)**	2 036
Central Services	**(3 314)**	(3 766)
	9 557	17 484

Consolidated Condensed Statement of Financial Position

as at 31 December 2010

	Reviewed 31 Dec 2010 R'000	Audited 31 Dec 2009 R'000
ASSETS		
Non-current assets	**29 566**	24 064
Equipment and vehicles	**5 371**	4 229
Goodwill	**12 312**	10 135
Intangible assets	**609**	642
Long-term receivables	**4 927**	4 227
Investments and loan in associate	**3 188**	334
Deferred tax asset	**3 159**	4 497
Current assets	**105 858**	110 973
Inventories	**1 356**	965
Trade receivables	**75 189**	78 871
Other receivables	**2 954**	3 362
Cash and cash equivalents	**26 359**	27 775
Total assets	**135 424**	135 037
EQUITY AND LIABILITIES		
Equity	**76 329**	74 722
Capital and reserves	**75 449**	73 977
Non-controlling interest	**880**	745
Non-current liabilities	**541**	184
Long-term vendor obligation	**435**	–
Interest-bearing financial liabilities	**106**	184
Current liabilities	**58 554**	60 131
Trade and other payables	**16 954**	28 930
Current portion of financial liabilities	**71**	181
Taxation payable	**1 055**	1 473
Short-term vendor obligation	**1 639**	–
Bank borrowings	**38 835**	29 547
Total equity and liabilities	**135 424**	135 037
Number of shares in issue at end of period ('000) (net of treasury and share trust shares)	**99 395**	105 455
Net asset value per share (cents)	**77**	71

Consolidated Condensed Statement of Changes in Equity

for the 12 months ended 31 December 2010

	Reviewed 12 months ended 31 Dec 2010 R'000	Audited 12 months ended 31 Dec 2009 R'000
Balance at beginning of the period	**74 722**	68 093
Share purchases	**(2 751)**	(2 318)
Attributable earnings for the period	**7 222**	11 451
Dividends paid	**(2 988)**	(2 741)
Share-based payment reserve	**(11)**	(100)
Non-controlling interest	**135**	337
Balance at end of the period	**76 329**	74 722

Consolidated Condensed Statement of Cash Flows

for the 12 months ended 31 December 2010

	Reviewed 12 months ended 31 Dec 2010 R'000	Audited 12 months ended 31 Dec 2009 R'000
Cash flows from operating activities	**1 958**	23 196
Cash flows from investing activities	**(8 704)**	(3 101)
Cash flows from financing activities	**(970)**	(174)
Returned to shareholders – dividends paid	**(2 988)**	(2 741)
Net (decrease)/increase in cash and cash equivalents	**(10 704)**	17 180
Cash and cash equivalents at beginning of period	**(1 772)**	(18 952)
Cash and cash equivalents at end of period	**(12 476)**	(1 772)

Commentary

Profile

Primeserv Group Limited is an investment holding company focusing on delivering human resources (HR) products, services and solutions through its operating pillar, Primeserv HR Services. This incorporates two main areas of specialisation: Human Capital Development operating through two divisions, Primeserv HR Solutions and Primeserv Colleges; and Human Capital Outsourcing operating through the Group's largest division, Primeserv Outsourcing.

These divisions provide a comprehensive HR value chain that can be applied through Primeserv's Int**HR**grate™ Model in its entirety or modular form. These divisions encompass an extensive range of HR consulting solutions and services, corporate and vocational training programmes, technical skills training centres, computer training colleges, as well as resourcing and flexible staffing services, supported by wage bureaus and HR logistics outsourcing operations.

Operating environment

The economic environment for the twelve months to 31 December 2010 remained challenging. Both business and consumer confidence are still under pressure. This affected the Group's operations with businesses curtailing expenditure relating to skills development, training and employment. Notwithstanding this, the Group grew its revenue by 1% and is well placed to benefit as and when an expected economic upturn occurs.

Overview of results

Consolidated Group revenue increased by R6 million from R523,5 million to R529,0 million. Operating margins experienced downward pressure with EBITDA declining from R19,1 million to R11,5 million and operating profit decreasing from R17,5 million to R9,6 million. The Group's effective tax rate of 27% is higher than the 24% applicable to the previous financial year. This is due to certain tax allowances having been fully utilised in the prior period as well as the effect of Secondary Tax on Companies on dividends paid. Total comprehensive income decreased from R11,8 million to R7,4 million with headline earnings per share declining by 33% from 10,51 cents per share to 7,02 cents per share for the period under review.

Cash flows from operating activities were positive during the twelve months under review. Further investment was made in capital expenditure, especially in the upgrading of the colleges' infrastructure as well as in new computer equipment and course development. Effective working capital management during the review period resulted in net interest income of R0,3 million compared to a net interest cost of R1,7 million for the prior period notwithstanding that there was a net outflow of cash relating to investing and financing activities. Bank borrowings increased due primarily to earlier than usual release of creditor payments and accruals. The statement of financial position has continued to strengthen, with an overall improvement in debtors days resulting in trade receivables reducing by R3,7 million from R78,9 million to R75,2 million. Cash and cash equivalents were stable at R26,4 million compared to R27,8 million at the comparable period-end. Net asset value increased by 8% from 71 cents per share to 77 cents per share.

Change of year-end

The Group has changed its financial year from the end of December to the end of March to better align the financial reporting with its underlying trading and operating activities. Consequently the Group will be reporting audited results for the fifteen months ending 31 March 2011.

Human Capital Outsourcing

The division's revenue increased by 3% from R478,1 million to R492,7 million. Operating profit decreased by 14% from R19,2 million to R16,5 million due to a lower margin mix of business obtained. Trading in the "white collar" professional draughting and engineering unit and the division's mega-project wage bureau unit was negatively impacted by the completion of and the cancellation and/or delay of certain major projects.

The logistics and warehousing units experienced stable job numbers. The industrial and construction units were affected by reduced manpower demand. Certain of these units are now starting to see a slight improvement in demand across multiple job categories.

The division has invested in increasing its service delivery capability and capacity in anticipation of improving market conditions.

The ongoing debate pertaining to the future of the temporary employment services industry within South Africa is still unresolved. This prevailing uncertainty has negatively affected flexible staffing levels.

Human Capital Development

Revenue decreased by 20% from R45,4 million to R36,3 million. The combination of lower learner registrations, cancelled or curtailed training, together with the generally stagnant economic conditions contributed to a poor overall result for the segment which operates with a high fixed cost base. Corrective actions have already been implemented albeit that the effects thereof are not expected to be felt until the new financial year. The HR Consulting unit delivered a good performance.

Group strategy and outlook

The Group strategy is that of an investment holding company in the services industry, however, it will now be seeking to diversify its revenue streams through a series of corporate activities alongside its existing staffing, skills development and HR consulting operations. This strategy is expected to enhance the future sustainability of the Group, and the funding thereof will result in an increase in the Group's overall level of gearing. The Group will continue to seek further acquisitions within its existing spheres of activity so as to expand its value offering to clients.

The pace of the country's economic recovery remains uncertain and therefore it is anticipated that trading conditions will be restrictive and somewhat volatile. The Group remains cautiously optimistic regarding performance in the year ahead. This general forecast has not been reviewed nor reported on by the Company's auditors.

B-BBEE

The Group has continued to focus on maintaining and improving its B-BBEE credentials, with individual Group entities achieving ratings of between Level 2 and Level 6. Many of these entities are value added suppliers.

The Group is committed to ongoing transformation as an operational imperative.

Corporate governance

The Board and the individual directors are committed to the values of integrity, transparency, responsibility and accountability in enforcing the highest standards of corporate governance. King III became effective on 1 March 2010 and accordingly the Group is in the process of reviewing and evaluating its compliance with King III and a detailed programme will be adopted to ensure optimal compliance on an apply or explain basis within the timeline required by the JSE.

Events after the reporting date

Save in regard to the negotiations giving rise to the cautionary announcement made by the Company on 2 March 2011, management is not aware of any material events which have occurred subsequent to the end of December 2010. There has been no material change in the Group's contingent liabilities since the period-end.

Acquisitions

The HR Consulting unit has acquired, as a going concern, the business of Sincedisa Consulting cc with effect from 1 March 2010. The business is an HR consulting business allied to the Group's existing business. The acquisition price is determined based upon future earnings and will not exceed R3,5 million. The purchase price, as required by IFRS 3, is estimated at R2,4 million. The purchase price is payable in cash in three instalments. The first payment was in July 2010 with subsequent payments to be made in April 2011 and April 2012. Assets valued at R0,2 million have been acquired. Attributable goodwill of R2,2 million has been calculated.

Included in the results for the period are net profits before tax of R0,8 million attributable to this business, resulting in an increase in earnings of 0,57 cents per share. It is anticipated that the transaction will enhance the earnings and results of the Group.

Change of auditors

Shareholders are advised that the firm of Charles Orbach & Company, which is accredited by the JSE Limited, has been appointed as the Group's auditors with effect from 24 March 2011 following the resignation of the previous auditors.

Accounting policies

The results for the twelve months have been prepared in accordance with the Group's accounting policies which are consistent with the previous period. These comply with International Financial Reporting Standards and the AC 500 standards, as issued by the Accounting Standards Board, IAS 34 – Interim Financial Reporting, the South African Companies Act and the JSE Limited Listings Requirements.

Review opinion

The results for the twelve months ended 31 December 2010 have been reviewed by the Company's auditors and their unmodified review opinion is available for inspection at the Company's registered offices.

Dividend

Further to the change of year-end the Company has not declared a second interim dividend but will consider a final dividend in respect of the fifteen month financial period ending 31 March 2011.

On behalf of the Board

JM Judin	**M Abel**	**R Sack**	**25 March 2011**
Independent Non-Executive Chairman	***Chief Executive Officer***	***Financial Director***	**Bryanston**

Directors: JM Judin# (Chairman), M Abel (Chief Executive Officer), Prof S Klein# *(American),* LM Maisela#, AT McMillan *(British),* DL Rose#, R Sack (Financial Director), DC Seaton*, CS Shiceka#
 # Independent Non-Executive ** Non-Executive*
Company secretary: ER Goodman Secretarial Services cc (represented by E Goodman)
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Transfer secretaries: Computershare Investor Services (Pty) Limited, 70 Marshall Street, Johannesburg, 2001 • (PO Box 61051, Marshalltown, 2107)
Auditors: Charles Orbach & Company, Third Floor, 3 Melrose Boulevard, Melrose Arch, 2076 • (PO Box 355, Melrose Arch, 2076)
Sponsor: Deloitte & Touche Sponsor Services (Pty) Limited, The Woodlands, Woodlands Drive, Woodmead, 2196 • (Private Bag X6, Gallo Manor, 2052)