FINANCIAL HIGHLIGHTS

- Gross profit **up** 8%
- EBITDA **up** 61%
- Operating profit **up** 87%
- Profit before tax **up** 164%
- Headline earnings per share (HEPS) from continuing operations **up** 64%
- Net asset value (NAV) **up** 9%

COMMENTARY

Profile

Primeserv Group Limited is an investment holding company focusing on the delivery of 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 as Primeserv HR Solutions, and Human Capital Outsourcing operating as 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 in modular form. They encompass an extensive range of HR and IR consulting solutions and services, corporate and vocational training programmes, technical skills assessment and training centres, as well as permanent and temporary staffing services, wage bureaus and staff wellness and benefit programmes.

Overview

The year under review has seen a return to overall profitability across the Group. This is apparent in the improvement in most performance metrics with EBITDA up by 61%, operating profit up by 87%, net profit before tax up by 164% and headline earnings per share up by 314%. The overall improvement is attributable to an increase in earnings from continuing operations of 64% and a reduction in the loss attributable to the discontinued colleges business.

The Human Capital Outsourcing segment saw blue collar outsourcing perform particularly well, despite the impact of extensive industrial action experienced throughout the year, while white collar outsourcing delivered a relatively flat year-on-year performance and continues to operate in a low-growth environment given the lack of new large infrastructure projects.

The Human Capital Development segment delivered an improved performance. The persistent problems at the SETA's has led to some extended delays in both the onset of training and the settlement of accounts by some clients awaiting disbursements from the SETA's for work already undertaken.

The second half of the year under review was affected by reduced gross profit and extraordinary costs relating to industrial action, particularly within the motor industry. There was a further impact on the latter part of the year's earnings due to costs being incurred for the implementation-phase of SETA-funded projects which only commenced post year end.

Financial overview

Revenue for the year under review decreased by 5% from R672,8 million to R638,8 million. Gross profit increased by 8% from R90,6 million to R98,1 million with the overall gross profit percentage improving from 13,5% in the prior year to 15,4% for the year under review. This increase in the overall gross profit percentage was, in the main, attributable to a change in the mix of clients in the Outsourcing division.

EBITDA has increased by 61% from R9,0 million to R14,5 million. Operating profit for the year improved by 87% from R6,7 million to R12,6 million. Interest paid increased from R5,5 million to R5,8 million. Headline earnings showed a strong turn-around from a loss of R2,9 million to a profit of R6,1 million for the year under review. Cost containment measures were effective, with the Group's Central Services unit reducing costs by 2% from R13,6 million to R13,3 million despite inflationary pressures. The Group incurred a tax charge for the year as opposed to a credit in the prior year. Headline earnings per share improved by 9,56 cents per share from a loss of 3,05 cents per share to a profit of 6,51 cents per share.

The Group's long-term receivables have increased due, in part, to the inclusion of amounts due from the disposed colleges business, and the funding of the roll-out of products and services that support the wellness and benefits programmes offered to the Group's contractors. The Group's trade receivables decreased by R12,0 million from R106,6 million to R94,6 million with Days Sales Outstanding ("DSO") reducing from 51 days to 47 days. Trade payables decreased by R13,3 million from R43,8 million to R30,5 million. Financial liabilities and bank borrowings have, in aggregate, decreased from R55,6 million to R49,1 million. Cash flows from operating activities showed a positive turnaround of R9,7 million. Net asset value improved by 9% from 76 cents per share to 83 cents per share.

Human Capital Outsourcing

Revenue for the segment decreased by 6% from R642,6 million to R605,9 million, with operating profit increasing by 13% from R22,5 million to R25,3 million. EBITDA increased by 14% from R23,6 million to R27,1 million. The DSO showed an improvement from 46 days to 42 days. The division continues to focus on working capital management, margin improvement and operating efficiencies.

Further investment in systems is being made so as to ensure that the Group's staff outsourcing businesses are optimally aligned to impending labour law changes. This will enhance Primeserv's position as a provider of integrated HR services within South Africa.

Human Capital Development

The segment's revenue increased by 9% from R30,2 million to R32,9 million, excluding the discontinued operations. The segment recorded a decrease in its overall operating loss from R7,9 million to R1,4 million. The discontinued colleges business incurred a loss of R2,0 million compared to a loss of R5,8 million in the prior year. Continuing operations within the segment recorded a better performance delivering an operating profit of R0,6 million compared to an operating loss of R2,1 million in the comparable period. EBITDA improved by R2,5 million from a loss of R1,2 million to a profit of R1,1 million. The DSO has moved out from 65 days to 143 days, largely due to delays in receipts from SETA-funded projects, however significant collections were banked subsequent to the year-end.

Transformation/B-BBEE

As part of its ongoing transformation process and in line with B-BBEE best practice, further initiatives are planned for the year ahead, particularly, in regard to additional requirements arising out of proposed amendments to the B-BBEE codes of good practice.

Events after the reporting date

Management is not aware of any material events which have occurred subsequent to the end of March 2014. There has been no material change in the Group's contingent liabilities since the year-end.

Basis of preparation

The condensed consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports and the requirements of the Companies Act of South Africa. The Listings Requirements require provisional reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting. The accounting policies applied in the preparation of the condensed consolidated financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements. All accounting standards effective for the 2014 financial year onwards were applied and did not have a material impact on the Group's results. The results were prepared by the Group Financial Director, Mr R Sack CA(SA).

Adoption of new standard – IFRS10: Consolidated financial statements

IFRS 10: Consolidated Financial Statements, was issued in August 2012 and replaces the guidance on control and consolidation in IAS 27: Consolidated and Separate Financial Statements, and SIC 12: Consolidation – Special Purpose Entities. The Group concluded a B-BBEE transaction in January 2005 whereby Bathusi Staffing Services Proprietary Limited ("Bathusi") was deconsolidated and thereafter accounted for as an associate company, in which the Group held 45% of the equity with the balance held by a number of B-BBEE shareholders. The Group has determined that while it did not have control over the Company in terms of the principles of IAS 27, it does have control over the entity in terms of IFRS 10 given that the Group is able to control the activities of the Company and to earn variable returns. Consequently, Bathusi has been consolidated in the financial results of the Group.

Review opinion

These condensed consolidated financial statements for the year ended 31 March 2014 have been reviewed by Baker Tilly SVG, who expressed an unmodified review conclusion. A copy of the auditor's review report is available for inspection at the Company's registered office together with the financial statements identified in the auditor's report. Any reference to future financial performance included in this announcement, has not been reviewed nor reported on by the auditors.

Dividend

No final dividend is proposed for the year under review. The Group will consider the resumption of dividend payments at the close of its next reporting period.

Outlook

The outlook for economic growth in South Africa remains weak. Industrial action and high unemployment levels continue to be of concern. Nevertheless, the Group continues to pursue further growth opportunities, both in regard to scaling up its existing operations by virtue of organic growth and acquisition, as well as through its diversification into other areas of synergistic business.

On behalf of the Board

JM Judin
Independent Non-Executive Chairman

M Abel
Chief Executive Officer

R Sack
Financial Director

20 June 2014
Johannesburg

("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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Directors: JM Judin# (Chairman), M Abel (Chief Executive Officer), Prof S Klein# *(American)*, LM Maisela*, 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)
Registered address: 25 Rudd Road, Illovo, 2196
(PO Box 3008, Saxonwold, 2132)
Transfer secretaries: Computershare Investor Services (Pty) Ltd, 70 Marshall Street, Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)
Auditors: Baker Tilly SVG, Third Floor, 3 Melrose Boulevard, Melrose Arch, 2076
(PO Box 355, Melrose Arch, 2076)

Sponsor: Deloitte & Touche Sponsor Services (Pty) Ltd, The Woodlands, Woodlands Drive, Woodmead, 2196
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GRAPHICULTURE MAJAA93M

www.primeserv.co.za

PRIMESERV
GROUP LIMITED

REVIEWED PROVISIONAL RESULTS

for the twelve months ended

31 March 2014

Condensed Consolidated Statement of Comprehensive Income

for the year ended 31 March

	Reviewed 2014 R'000	Restated * Reviewed 2013 R'000	Adoption of IFRS10 * 2013 R'000	Previously reported Audited 2013 R'000
Revenue	**638 791**	672 789	49 781	623 008
Cost of sales	**(540 670)**	(582 205)	(43 459)	(538 746)
Gross profit	**98 121**	90 584	6 322	84 262
EBITDA	**14 454**	8 964	2 314	6 650
Depreciation and amortisation	**(1 863)**	(2 232)	(22)	(2 210)
Operating profit	**12 591**	6 732	2 292	4 440
Interest received	**983**	1 723	–	1 723
Interest paid	**(5 766)**	(5 493)	(2 195)	(3 298)
Share of profit from associate	**–**	–	(31)	31
Profit before taxation	**7 808**	2 962	66	2 896
Taxation	**(1 366)**	1 769	–	1 769
Total comprehensive income	**6 442**	4 731	66	4 665
Loss from discontinued operation (net of tax) (Note 1)	**(2 002)**	(9 005)	–	(9 005)
Total comprehensive income/(loss)	**4 440**	(4 274)	66	(4 340)
Total comprehensive income/(loss) attributable to:				
Ordinary shareholders of the Company	**6 096**	(3 991)	–	(3 991)
Non-controlling shareholders' interest	**(1 656)**	(283)	66	(349)
Total comprehensive income/(loss)	**4 440**	(4 274)	66	(4 340)
Reconciliation of headline earnings				
Net profit/(loss) attributable to ordinary shareholders	**6 096**	(3 991)	–	(3 991)
After tax effect of profit on sale of fixed assets – continuing operations	**–**	(65)	–	(65)
Impairment of assets – discontinued operations	**–**	1 203	–	1 203
Headline earnings/(loss)	**6 096**	(2 853)	–	(2 853)
– Continuing operations	**8 098**	4 949	–	4 949
– Discontinued operations	**(2 002)**	(7 802)	–	(7 802)
Weighted average number of shares in issue ('000)	**93 682**	93 682	–	93 682
Diluted weighted average number of shares in issue ('000)	**93 682**	93 682	–	93 682
Earnings per share and diluted earnings per share (cents)	**6,51**	(4,26)	–	(4,26)
– Continuing operations	**8,65**	5,35	–	5,35
– Discontinued operations	**(2,14)**	(9,61)	–	(9,61)
Headline earnings and diluted headline earnings per share (cents)	**6,51**	(3,05)	–	(3,05)
– Continuing operations	**8,65**	5,28	–	5,28
– Discontinued operations	**(2,14)**	(8,33)	–	(8,33)

* *Bathusi Staffing Services Proprietary Limited, previously an associate, now consolidated in terms of IFRS10 Consolidated Financial Statements as adopted in the current year.*

Note 1: Discontinued operation

	2014 1 month R'000	2013 12 months R'000
Revenue	**1 460**	31 885
Cost of sales	**(158)**	(10 159)
Gross profit	**1 302**	21 726
Operating loss	**(2 002)**	(5 763)
Interest paid	**–**	(374)
Impairment of assets	**–**	(1 203)
Loss before taxation	**(2 002)**	(7 340)
Taxation	**–**	(1 665)
Loss for the year	**(2 002)**	(9 005)

Condensed Consolidated Statement of Financial Position

as at 31 March

	Reviewed 2014 R'000	Restated * Reviewed 2013 R'000	Adoption of IFRS10 * 2013 R'000	Previously reported Audited 2013 R'000
ASSETS				
Non-current assets	**50 567**	44 701	(971)	45 672
Equipment and vehicles	**3 930**	4 086	64	4 022
Investment property	**7 645**	7 645	–	7 645
Goodwill	**18 170**	18 170	4 877	13 293
Intangible assets	**2 269**	2 775	–	2 775
Long-term receivables	**6 860**	1 050	–	1 050
Investment and loan in associate	**–**	–	(7 321)	7 321
Deferred tax asset	**11 693**	10 975	1 409	9 566
Current assets	**102 595**	120 532	15 582	104 950
Inventories	**200**	857	10	847
Trade receivables	**94 555**	106 624	14 401	92 223
Other receivables	**6 748**	5 227	1 145	4 082
Cash and cash equivalents	**1 092**	7 824	26	7 798
Non-current assets held for sale	**–**	1 639	–	1 639
Total assets	**153 162**	166 872	14 611	152 261
EQUITY AND LIABILITIES				
Equity	**70 742**	66 263	(3 754)	70 017
Capital and reserves	**77 309**	71 213	–	71 213
Non-controlling interest	**(6 567)**	(4 950)	(3 754)	(1 196)
Current liabilities	**82 420**	100 609	18 365	82 244
Trade and other payables	**30 545**	43 823	9 551	34 272
Financial liabilities	**–**	5 031	–	5 031
Taxation payable	**2 803**	1 180	14	1 166
Bank borrowings	**49 072**	50 575	8 800	41 775
Total equity and liabilities	**153 162**	166 872	14 611	152 261
Number of shares in issue at end of year ('000) (net of treasury and share trust shares)	**93 682**	93 682	–	93 682
Net asset value per share (cents)	**83**	76	–	76

Condensed Consolidated Statement of Cash Flows

for the year ended 31 March

	Reviewed 2014 R'000	Restated * Reviewed 2013 R'000	Adoption of IFRS10 * 2013 R'000	Previously reported Audited 2013 R'000
Profit before taxation	**7 808**	2 993	97	2 896
Loss before tax from discontinued operations	**(2 002)**	(7 340)	–	(7 340)
Adjusted for non-cash items – continuing and discontinued operations	**1 863**	3 340	23	3 317
Operating cash flows before working capital changes	**7 669**	(1 007)	120	(1 127)
Net working capital changes	**(5 462)**	(6 878)	(6 190)	(688)
Taxation paid	**(459)**	(36)	–	(36)
Cash flows from operating activities	**1 748**	(7 921)	(6 070)	(1 851)
Cash flows from investing activities	**(1 946)**	(1 207)	1 191	(2 398)
Cash flows from financing activities	**(5 031)**	(678)	–	(678)
Net decrease in cash and cash equivalents	**(5 229)**	(9 806)	(4 879)	(4 927)
Cash and cash equivalents at beginning of year	**(42 751)**	(32 945)	(3 895)	(29 050)
Cash and cash equivalents at end of year	**(47 980)**	(42 751)	(8 774)	(33 977)

Condensed Consolidated Statement of Changes in Equity

for the year ended 31 March

	Reviewed 2014 R'000	Restated * Reviewed 2013 R'000	Adoption of IFRS10 * 2013 R'000	Previously reported Audited 2013 R'000
Balance at beginning of the year	**66 263**	73 530	–	73 530
Restatement for adoption of IFRS10	**–**	(3 820)	(3 820)	–
Restated balance at beginning of the year	**66 263**	69 710	(3 820)	73 530
Attributable earnings	**6 096**	(3 991)	–	(3 991)
Disposal of interest to minority	**39**	–	–	–
Shares disposed	**–**	827	–	827
Non-controlling shareholders' interest	**(1 656)**	(283)	66	(349)
Balance at end of the year	**70 742**	66 263	(3 754)	70 017

Segmental Analysis

for the year ended 31 March

	Reviewed 2014 R'000	Restated * Reviewed 2013 R'000	Adoption of IFRS10 * 2013 R'000	Previously reported Audited 2013 R'000
Revenue from external customers (continuing and discontinued operations)				
Human Capital Outsourcing	**605 932**	642 622	49 781	592 841
Human Capital Development	**34 319**	62 052	–	62 052
Total	**640 251**	704 674	49 781	654 893
Revenue – inter-segment				
Human Capital Outsourcing	**–**	–	–	–
Human Capital Development	**493**	4 089	–	4 089
Total	**493**	4 089	–	4 089
Business segment operating profit results (continuing and discontinued operations)				
Human Capital Outsourcing	**25 347**	22 463	2 292	20 171
Human Capital Development	**(1 428)**	(7 870)	–	(7 870)
– Continuing operations	**574**	(2 107)	–	(2 107)
– Discontinued operations	**(2 002)**	(5 763)	–	(5 763)
Central Services	**(13 330)**	(13 624)	–	(13 624)
Operating profit/(loss)	**10 589**	969	2 292	(1 323)
Interest received	**983**	1 723	–	1 723
Interest paid	**(5 766)**	(5 867)	(2 195)	(3 672)
Impairment of assets – discontinued operations	**–**	(1 203)	–	(1 203)
Share of profit from associate	**–**	–	(31)	31
Profit/(loss) before taxation	**5 806**	(4 378)	66	(4 444)
– Continuing operations	**7 808**	2 962	66	2 896
– Discontinued operations	**(2 002)**	(7 340)	–	(7 340)
Business segment EBITDA (continuing and discontinued operations)				
Human Capital Outsourcing	**27 056**	23 648	2 314	21 334
Human Capital Development	**(865)**	(5 654)	–	(5 654)
– Continuing operations	**1 137**	(1 219)	–	(1 219)
– Discontinued operations	**(2 002)**	(4 435)	–	(4 435)
Central Services	**(13 739)**	(13 465)	–	(13 465)
Total	**12 452**	4 529	2 314	2 215
Business segment total assets				
Human Capital Outsourcing	**116 789**	132 100	11 529	120 571
Human Capital Development	**26 617**	26 036	–	26 036
Central Services	**9 756**	8 736	3 082	5 654
Total	**153 162**	166 872	14 611	152 261