

Unaudited results

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

("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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Consolidated Statement of Comprehensive Income for the 6 months ended 30 September 2011

	Unaudited 6 months ended 30 Sept 2011 R'000	Unaudited 6 months ended 30 Jun 2010 R'000	Audited 15 months ended 31 Mar 2011 R'000
Revenue	307 357	256 211	665 281
Cost of sales	(249 513)	(209 538)	(542 947)
Gross profit	57 844	46 673	122 334
EBITDA	8 350	6 472	12 937
Depreciation	(1 344)	(909)	(2 572)
Operating profit	7 006	5 563	10 365
Interest received	2 990	2 516	4 720
Interest paid	(2 687)	(2 474)	(4 756)
Share of loss from associate	(847)	(169)	(202)
Profit before taxation	6 462	5 436	10 127
Taxation	(1 353)	(1 647)	(1 659)
Total comprehensive income for the period	5 109	3 789	8 468
<i>Total comprehensive income attributable to:</i>			
Ordinary shareholders of the Company	5 271	3 765	9 281
Non-controlling shareholders' interest	(162)	24	(813)
Total comprehensive income	5 109	3 789	8 468
Reconciliation of headline earnings			
Net profit attributable to shareholders	5 271	3 765	9 281
Headline earnings	5 271	3 765	9 281
Weighted average number of shares ('000)	95 037	105 163	102 174
Diluted weighted average number of shares ('000)	96 046	105 163	103 166
Earnings per share (cents)	5,55	3,58	9,08
Diluted earnings per share (cents)	5,49	3,58	9,00
Headline earnings per share (cents)	5,55	3,58	9,08
Diluted headline earnings per share (cents)	5,49	3,58	9,00
Dividend paid per share (cents)	2,50	2,50	3,00

Segmental Analysis

for the 6 months ended 30 September 2011

	Unaudited 6 months ended 30 Sept 2011 R'000	Unaudited 6 months ended 30 Jun 2010 R'000	Audited 15 months ended 31 Mar 2011 R'000
Revenue from external customers			
Human Capital Outsourcing	275 667	234 446	606 007
Human Capital Development	31 690	21 765	59 274
Total	307 357	256 211	665 281
Business segment results			
Human Capital Outsourcing	8 901	8 572	18 084
Human Capital Development	1 397	1 393	(2 766)
Central Services	(3 292)	(4 402)	(4 953)
Operating profit	7 006	5 563	10 365
Interest received	2 990	2 516	4 720
Interest paid	(2 687)	(2 474)	(4 756)
Share of loss from associate	(847)	(169)	(202)
Profit before taxation	6 462	5 436	10 127

Consolidated Statement of Financial Position

as at 30 September 2011

	Unaudited 30 Sep 2011 R'000	Unaudited 30 Jun 2010 R'000	Audited 31 Mar 2011 R'000
ASSETS			
Non-current assets	36 909	32 841	28 171
Property, equipment and vehicles	9 998	4 823	6 072
Goodwill	12 012	12 312	12 012
Intangible assets	1 348	626	601
Long-term receivables	1 214	4 927	1 214
Investment and loan in associate	5 704	5 639	2 874
Deferred tax asset	6 633	4 514	5 398
Current assets	109 826	103 674	97 655
Inventories	1 497	1 172	1 017
Trade receivables	82 352	71 264	64 922
Other receivables	3 596	2 661	6 466
Cash and cash equivalents	22 381	28 577	25 250
Assets held for sale	3 257	-	-
Total assets	149 992	136 515	125 826
EQUITY AND LIABILITIES			
Capital and reserves	79 519	74 329	78 056
Equity attributable to equity holders of the Company	79 749	73 560	78 124
Non-controlling interest	(230)	769	(68)
Non-current liabilities	4 066	564	632
Financial liabilities	4 066	564	632
Current liabilities	66 407	61 622	47 138
Trade and other payables	26 479	30 472	17 914
Current portion of financial liabilities	101	132	116
Taxation payable	2 139	1 358	1 702
Short-term vendor obligation	903	1 639	851
Bank borrowings	36 785	28 021	26 555
Total equity and liabilities	149 992	136 515	125 826
Number of shares in issue at end of period ('000) (net of treasury and share trust shares)	92 152	102 773	95 231
Net asset value per share (cents)	86	72	82

Consolidated Condensed Statement of Changes in Equity

for the 6 months ended 30 September 2011

	Unaudited 6 months ended 30 Sept 2011 R'000	Unaudited 6 months ended 30 Jun 2010 R'000	Audited 15 months ended 31 Mar 2011 R'000
Balance at beginning of the period	78 056	74 722	74 722
Attributable earnings for the period	5 271	3 765	9 281
Dividends paid	(2 381)	(2 757)	(2 596)
Share repurchases	(1 276)	(1 429)	(2 652)
Share-based payment reserve	11	4	114
Non-controlling shareholders' interest	(162)	24	(813)
Balance at end of the period	79 519	74 329	78 056

Consolidated Condensed Statement of Cash Flows

for the 6 months ended 30 September 2011

	Unaudited 6 months ended 30 Sept 2011 R'000	Unaudited 6 months ended 30 Jun 2010 R'000	Audited 15 months ended 31 Mar 2011 R'000
Cash flows from operating activities	57	14 229	10 300
Cash flows from investing activities	(10 759)	(11 113)	(7 029)
Cash flows from financing activities	(16)	1 969	(208)
Returned to shareholders – dividends paid	(2 381)	(2 757)	(2 596)
Net (decrease)/increase in cash and cash equivalents	(13 099)	2 328	467
Cash and cash equivalents at beginning of period	(1 305)	(1 772)	(1 772)
Cash and cash equivalents at end of period	(14 404)	556	(1 305)

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 IntHRgate™ Model in its entirety or in modular form. These divisions encompass an extensive range of HR consulting solutions and services, corporate and vocational training programmes, technical skills training centres, computer and business training colleges, as well as resourcing and flexible staffing services, supported by wage bureaux and HR logistics outsourcing operations.

Operating environment

The economic environment for the six months to 30 September 2011 remained constrained in the face of international concerns regarding the European debt crisis and the concomitant sluggishness of the South African economy resulting in lacklustre demand locally, which have both affected business and consumer confidence. The reticence of business to engage in capital projects or to undertake budgeted training, given the economic uncertainty, along with subdued consumer demand have, together, fostered difficult operating conditions.

Overview of results

The Group's year-end was changed during the last financial year from the end of December to the end of March, therefore these results are not matching the same review periods and accordingly various comparisons with the prior reporting period are not detailed in the commentary below. Sales revenue for the 6 months to September 2011 was R307,4 million which realised a gross profit of R57,8 million at slightly better margins than was reported at the end of March 2011. Both EBITDA and operating profit are indicative of improvements in expense management across the Group. The interest received amount includes a reallocation of revenue from the sales line in accordance with accounting rules relating to payment terms extended to credit customers. The net interest value is positive at R0,3 million. The share of loss from the Group's associate company, Bathusi Staffing Services (Pty) Limited, due to the loss of a major contract, hampered the results and remedial action to restore this business to profitability has been taken. The Group's effective tax rate has benefited from allowances granted for learnership training.

Total comprehensive income attributable to shareholders of the Group was R5,3 million. Earnings per share and headline earnings per share increased by 55% from 3,58 cents per share recorded for the 6 months ended 30 June 2010 to 5,55 cents per share. Diluted earnings per share and diluted headline earnings per share improved by 53% from 3,58 cents per share to 5,49 cents per share.

Cash flows from operating activities have shown a decrease from those reported at year-end. This is attributable to relatively high sales in September with an associated increase in cash invested in debtors, as well as to increased expenditure on infrastructure, share repurchases and a dividend payment.

The Group's balance sheet remains strong and includes the acquisition of an investment property. Bank borrowings at the end of the period increased in line with strong September sales. The net asset value per share has increased by 5% from 82 cents per share at the end of the last financial year to 86 cents per share at the end of September 2011.

Human Capital Outsourcing

The division's revenue was R275,7 million for the review period with an operating profit of R8,9 million. Trading in the "white collar" professional draughting and engineering unit as well as in the division's mega-project wage bureaux remained under pressure. This is largely due to a relative lack of large-scale infrastructure projects which underpin the success of these units. The "blue collar" flexible staffing units involved in logistics, warehousing and distribution delivered a marginally improved set of results, whilst staffing supply to the construction industry continued to be affected by reduced manpower demand. Initiatives have been undertaken in partnership with specialised service providers to provide additional value-added product offerings to the Group's clients and personnel.

Recent pronouncements by government have lent some important credence to the view that the optimal resolution to the debate relating to the future of the temporary services industry will involve regulation rather than outright banning.

Human Capital Development

The segment recorded revenue of R31,7 million which is an encouraging improvement after some difficult times over the last few years. The computer training and business colleges unit had far better learner registrations than was the case at the same time last year. Continued uncertainty regarding the financial state of the SETAs has meant that businesses have withheld the training expenditure on which the technical training unit depends for its own business. The unit has undertaken an increased number of learnership training projects which unlock value not only for the Group, but also bring skills development benefits to clients and importantly to the individuals being trained. The HR Consulting unit performed satisfactorily during the review period.

Group strategy and outlook

The Group strategy is that of an investment holding company in the services industry, and whilst it focuses on organically and acquisitively growing its existing staffing, skills development and HR consulting operations so as to broaden its service and product offerings, it is also actively seeking to diversify its revenue streams through a series of corporate activities. This strategy is aimed at enhancing the sustainability of the Group. Volume growth within existing operations and the continual review of operating expenditure to obtain optimal efficiencies remains a Group imperative. The Group has also invested in a number of new programmes, particularly in the sphere of business process outsourcing, as well as having developed new resources that will deliver added value to clients and staff. An extensive and revitalised investment in marketing and sales is also being implemented. All of these, taken together, are intended to deliver improved top-line growth and increased profitability across all sectors of the Group. Nevertheless, economic uncertainty, and the reluctance by many businesses to expand their own operations, render the Group's own view of its performance for the full year as being cautiously optimistic. This general forecast has not been reviewed nor reported on by the Company's auditors.

B-BBEE/Transformation

The Group remains strongly committed to ongoing transformation. As part of this commitment the Group has resolved to effect changes to the Board composition as well as within the underlying operating entities, certain of which are already in the process of being implemented.

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. The Group's first integrated annual report was published in respect of the 15-month period ended 31 March 2011 and details various initiatives and statistics relating to the governance of the Group.

Events after the reporting date

Management is not aware of any material events which have occurred subsequent to the end of September 2011. There has been no material change in the Group's contingent liabilities since the period-end.

Accounting policies

The results for the six months have been prepared in accordance with the Group's accounting policies which are consistent with the period ended 31 March 2011 and these comply with International Financial Reporting Standards and the AC 500 standards, as issued by the Accounting Practices Board. This report has been prepared in accordance with IAS 34 – Interim Financial Reporting, the South African Companies Act and the JSE Limited Listings Requirements. The interim financial statements have been prepared by the Group Financial Director, Mr R Sack.

Dividend declaration

Notice is hereby given that Primeserv has declared an interim dividend (dividend declaration number 13) for the 6 months ended 30 September 2011 of 0,50 cents per share, payable to shareholders recorded in the register of the Company at the close of business on the record date as set out below. The salient dates applicable to the dividend are as follows:

Last day to trade "CUM" dividend	Friday, 6 January 2012
First day to trade "EX" dividend	Monday, 9 January 2012
Record date	Friday, 13 January 2012
Payment date	Monday, 16 January 2012
No share certificates may be dematerialised or rematerialised between Monday, 9 January 2012 and Friday, 13 January 2012, both days inclusive.	

On behalf of the Board

JM Judin Independent Non-Executive Chairman	M Abel Chief Executive Officer	R Sack Financial Director	29 November 2011 Bryanston
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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)

Registered address: Venture House, Peter Place Park, 54 Peter Place, Bryanston, 2021 • (PO Box 3008, Saxonwold, 2132)

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)

