

Unaudited results

FOR THE SIX MONTHS ENDED 30 JUNE 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
www.primeserv.co.za • e-mail: productivity@primeserv.co.za



Consolidated Statements of Comprehensive Income

for the six months ended 30 June 2010

	Unaudited 6 months ended 30 Jun 2010 R'000	Unaudited 6 months ended 30 Jun 2009 R'000	Audited 12 months ended 31 Dec 2009 R'000
Revenue ⁽¹⁾	256 211	255 375	523 501
EBITDA	6 472	7 415	19 144
Depreciation	(909)	(827)	(1 660)
Operating profit	5 563	6 588	17 484
Interest received	2 516	1 878	4 533
Interest paid	(2 474)	(2 801)	(6 259)
Interest paid on borrowings	(2 430)	(2 779)	(6 233)
IAS 39 – Financial instrument charge	(44)	(22)	(26)
Share of loss from associate	(169)	–	(225)
Profit before taxation	5 436	5 665	15 533
Taxation	(1 647)	(878)	(3 745)
Total comprehensive income for the period	3 789	4 787	11 788
<i>Total comprehensive income attributable to:</i>			
Equity shareholders of the Company	3 765	4 787	11 451
Minority shareholders' interest	24	–	337
Total comprehensive income	3 789	4 787	11 788
Reconciliation of headline earnings			
Net profit attributable to shareholders	3 765	4 787	11 451
After-tax effect of profit on sale of fixed assets	–	(4)	4
Headline earnings	3 765	4 783	11 455
Weighted average number of shares ('000)	105 163	110 702	108 980
Diluted weighted average number of shares ('000)	105 163	111 023	108 980
Earnings per share (cents)	3,58	4,32	10,51
Diluted earnings per share (cents)	3,58	4,31	10,51
Headline earnings per share (cents)	3,58	4,32	10,51
Diluted headline earnings per share (cents)	3,58	4,31	10,51

⁽¹⁾ **Revenue note:** Excludes revenue of R35,6 million (June 2009: R22,3 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 six months ended 30 June 2010

	Unaudited 6 months ended 30 Jun 2010 R'000	Unaudited 6 months ended 30 Jun 2009 R'000	Audited 12 months ended 31 Dec 2009 R'000
Revenue			
Human Capital Outsourcing	234 446	231 553	478 101
Human Capital Development	21 765	23 822	45 400
	256 211	255 375	523 501
Operating profit/(loss)			
Human Capital Outsourcing	8 572	7 245	19 214
Human Capital Development	1 393	4 180	2 036
Central Services	(4 402)	(4 837)	(3 766)
	5 563	6 588	17 484

Consolidated Condensed Statements of Cash Flows

for the six months ended 30 June 2010

	Unaudited 6 months ended 30 Jun 2010 R'000	Unaudited 6 months ended 30 Jun 2009 R'000	Audited 12 months ended 31 Dec 2009 R'000
Cash flows from operating activities	11 472	13 331	20 455
Cash flows from investing activities	(11 113)	(5 791)	(3 101)
Cash flows from financing activities	1 969	(99)	(174)
Net increase in cash and cash equivalents	2 328	7 441	17 180
Cash and cash equivalents at beginning of period	(1 772)	(18 952)	(18 952)
Cash and cash equivalents at end of period	556	(11 511)	(1 772)

Consolidated Statements of Financial Position

as at 30 June 2010

	Unaudited 30 Jun 2010 R'000	Unaudited 30 Jun 2009 R'000	Audited 31 Dec 2009 R'000
ASSETS			
Non-current assets	32 841	29 659	24 064
Equipment and vehicles	4 823	4 832	4 229
Goodwill	12 312	9 605	10 135
Intangible assets	626	659	642
Long-term receivables	4 927	3 765	4 227
Investments and loan in associate	5 639	5 985	334
Deferred tax asset	4 514	4 813	4 497
Current assets	103 674	114 809	110 973
Inventories	1 172	600	965
Trade receivables	71 264	88 777	78 871
Other receivables	2 661	1 414	3 362
Cash and cash equivalents	28 577	24 018	27 775
Total assets	136 515	144 468	135 037
EQUITY AND LIABILITIES			
Equity	74 329	70 004	74 722
Capital and reserves	73 560	69 596	73 977
Minority interest	769	408	745
Non-current liabilities	564	264	184
Long-term vendor obligation	435	–	–
Interest-bearing financial liabilities	129	264	184
Current liabilities	61 622	74 200	60 131
Trade and other payables	30 472	37 281	28 930
Current portion of financial liabilities	132	176	181
Taxation payable	1 358	714	1 473
Short-term vendor obligation	1 639	500	–
Bank borrowings	28 021	35 529	29 547
Total equity and liabilities	136 515	144 468	135 037
Number of shares in issue at end of period ('000) (net of treasury and share trust shares)	102 773	109 192	105 455
Net asset value per share (cents)	72	64	71

Consolidated Statements of Changes in Equity

for the six months ended 30 June 2010

	Unaudited 6 months ended 30 Jun 2010 R'000	Unaudited 6 months ended 30 Jun 2009 R'000	Audited 12 months ended 31 Dec 2009 R'000
Balance at beginning of the period	74 722	68 093	68 093
Attributable earnings for the period	3 765	4 787	11 451
Dividends paid	(2 757)	(2 209)	(2 741)
Share trust movement	(1 429)	(706)	(2 318)
Share-based payment reserve	4	39	(100)
Minority shareholders' interest	24	–	337
Balance at end of the period	74 329	70 004	74 722

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 IntHRgrate™ 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

Economic activity continued to be subdued, with local business limiting discretionary expenditure relating to skills development and training. This affected, in particular, the Group's Technical Training and Colleges units. The slowdown has also led to an inevitable contraction in national employment levels, with the Group's Outsourcing division being impacted as clients reduce their number of contract and temporary staff.

Overview of results

Against this background, Group revenue was flat, increasing by 0,3% from R255,4 million to R256,2 million. Operating margins, however, remained under pressure. EBITDA declined by 13% from R7,4 million to R6,5 million with operating profit down by 16% from R6,6 million to R5,6 million. Effective working capital management has resulted in net interest income of R0,04 million compared with a net interest cost of R0,9 million for the prior period. The effective tax rate has increased due in main to certain tax allowances having been fully utilised in the prior year. Total comprehensive income has decreased by 21% from R4,8 million to R3,8 million, with headline earnings per share declining by 17% to 3,58 cents per share.

The Group continued to strengthen its balance sheet, and cash flows from operating activities maintained a positive trend. Due to good collections, trade receivables were reduced by R17,5 million from R88,8 million to R71,3 million. Bank borrowings declined from R35,5 million to R28,0 million. Cash and cash equivalents increased to R28,6 million.

Human Capital Outsourcing

This segment's revenue increased by 1,2% from R231,6 million to R234,5 million with operating profit increasing by 18% from R7,3 million to R8,6 million, due primarily to improved operational efficiencies.

Trading in the various Outsourcing units, particularly in the "White Collar" professional draughting and engineering unit and the mega-project wage bureaus, was impacted by the completion of major infrastructure projects. The logistics, warehousing, construction and industrial flexible staffing units continue to be affected by stagnant trading conditions.

Whilst the issues pertaining to the temporary employment services industry within the South African economy remain unresolved, the Group is confident that additional regulation of the industry, as opposed to banning, will result.

Human Capital Development

This segment's revenue declined by 9% and operating profit by 67%. Technical and corporate training clients delayed and/or postponed training until the conclusion of the FIFA Soccer World Cup. The Computer Training Colleges had lower than anticipated learner registrations and less than optimal fee remittances during the review period. While corrective action has been taken, the benefit will not be felt in the current year. The HR Consulting unit delivered a good performance.

Acquisition

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 R2,07 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.

Included in the results for the current period are net profits before tax of R484 000 attributable to this business, resulting in an increase in earnings of 0,33 cents per share. It is anticipated that the transaction will enhance the earnings and results of the Group.

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 also 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.

Post-balance sheet events

Management is not aware of any material events which have occurred subsequent to the end of June 2010. There has been no material change in the Group's contingent liabilities since the period-end.

Outlook

Renewed concerns over a slower than expected economic recovery could impact negatively on the Group, particularly given its dependence on a resumption of hiring and training of personnel in the industrial and commercial sectors in which it operates.

Albeit that the Group's results for the year remain under pressure, the Board believes that Primeserv has an appropriate sustainability strategy and that the Group remains well placed to benefit from an economic upturn. The Group continues to seek out strategic acquisitive opportunities that will expand the Group's value platform. This general forecast has not been reviewed nor reported on by the Company's auditors.

Accounting policies

The results for the six 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, AC 500 standards as issued by the Accounting Standards Board or its successor, IAS 34 – Interim Financial Reporting, the South African Companies Act and the JSE Limited Listings Requirements.

On behalf of the Board

JM Judin **M Abel** **R Sack** **19 August 2010**
Independent Non-Executive Chairman *Chief Executive Officer* *Financial Director* *Bryanston*

Dividend declaration

Notice is hereby given that Primeserv has declared an interim dividend (dividend declaration number 11) for the six months ended 30 June 2010 of 0,5 cents per ordinary share.

The salient dates applicable to the interim dividend are as follows:

Last day to trade "CUM" dividend	Friday, 8 October 2010
First day to trade "EX" dividend	Monday, 11 October 2010
Record date	Friday, 15 October 2010
Payment date	Monday, 18 October 2010

No share certificates may be dematerialised or rematerialised between Monday, 11 October 2010 and Friday, 15 October 2010, both days inclusive.

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*
** 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: PKF (Jhb) Inc., 42 Wierda Road West, Wierda Valley, Sandton, 2196 (PostNet Suite 200, Private Bag X30500, Houghton, 2041)

Sponsor: Deloitte & Touche Sponsor Services (Pty) Limited, The Woodlands, Woodlands Drive, Woodmead, 2196

(Private Bag X6, Gallo Manor, 2052)

