Unaudited results

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

PRIMESERV GROUP LIMITED

("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

Condensed Consolidated Statement of Comprehensive Income

	Unaudited 6 months ended 30 Sep 2012 R'000	Restated Unaudited 6 months ended 30 Sep 2011 R'000	Unaudited 6 months ended 30 Sep 2011 R'000	Audited 12 months ended 31 Mar 2012 R'000
Revenue	**340 428**	307 357	307 357	613 145
Revenue from continuing operations	**321 760**	290 225	290 225	579 344
Revenue from discontinued operations	**18 668**	17 132	17 132	33 801
Cost of sales	**(279 184)**	(251 120)	(249 513)	(499 352)
Gross profit	**61 244**	56 237	57 844	113 793
Gross profit from continuing operations	**44 400**	42 731	44 338	91 075
Gross profit from discontinued operations	**16 844**	13 506	13 506	22 718
EBITDA	**6 425**	6 743	8 350	7 058
Depreciation and amortisation	**(1 457)**	(1 344)	(1 344)	(1 439)
Operating profit	**4 968**	5 399	7 006	5 619
Operating profit from continuing operations	**5 476**	5 130	6 737	8 720
Operating (loss)/profit from discontinued operations	**(508)**	269	269	(3 101)
Interest received	**904**	2 990	2 990	6 255
Interest paid	**(2 572)**	(2 687)	(2 687)	(4 990)
Share of loss from associate	**(186)**	(847)	(847)	(1 355)
Profit before taxation	**3 114**	4 855	6 462	5 529
Profit before taxation from continuing operations	**4 330**	4 969	6 576	6 858
Loss before taxation from discontinued operations	**(1 216)**	(114)	(114)	(1 329)
Taxation	**1 218**	(903)	(1 353)	1 249
Total comprehensive income for the period	**4 332**	3 952	5 109	6 778
Profit from continuing operations	**5 207**	4 034	5 191	7 735
Loss from discontinued operations	**(875)**	(82)	(82)	(957)
Total comprehensive income attributable to:				
Ordinary shareholders of the Company	**4 340**	4 161	5 271	7 359
Non-controlling shareholders' interest	**(8)**	(209)	(162)	(581)
Total comprehensive income	**4 332**	3 952	5 109	6 778
Reconciliation of headline earnings				
Net profit attributable to shareholders	**4 340**	4 161	5 271	7 359
Headline earnings	**4 340**	4 161	5 271	7 359
Weighted average number of shares ('000)	**93 682**	95 037	95 037	93 377
Diluted weighted average number of shares ('000)	**93 682**	96 046	96 046	93 377
Earnings per share (cents)	**4,63**	4,38	5,55	7,88
From continuing operations	**5,56**	4,47	5,64	8,90
From discontinued operations	**(0,93)**	(0,09)	(0,09)	(1,02)
Diluted earnings per share (cents)	**4,63**	4,33	5,49	7,88
From continuing operations	**5,56**	4,42	5,58	8,90
From discontinued operations	**(0,93)**	(0,09)	(0,09)	(1,02)
Headline earnings per share (cents)	**4,63**	4,38	5,55	7,88
From continuing operations	**5,56**	4,47	5,64	8,90
From discontinued operations	**(0,93)**	(0,09)	(0,09)	(1,02)
Diluted headline earnings per share (cents)	**4,63**	4,33	5,49	7,88
From continuing operations	**5,56**	4,42	5,58	8,90
From discontinued operations	**(0,93)**	(0,09)	(0,09)	(1,02)

Condensed Consolidated Statement of Cash Flows

	Unaudited 6 months ended 30 Sep 2012 R'000	Restated Unaudited 6 months ended 30 Sep 2011 R'000	Unaudited 6 months ended 30 Sep 2011 R'000	Audited 12 months ended 31 Mar 2012 R'000
Profit before taxation	**3 114**	4 855	6 462	5 529
Adjusted for non-cash items	**1 457**	2 221	2 221	3 202
Operating cash flows before working capital changes	**4 571**	7 076	8 683	8 731
Net working capital changes	**(10 275)**	(4 867)	(6 474)	(14 867)
Taxation refunded/(paid)	**59**	(2 152)	(2 152)	(1 308)
Cash flows (utilised in)/from operating activities	**(5 645)**	57	57	(7 444)
Cash flows utilised in investing activities	**(2 395)**	(9 395)	(9 395)	(16 976)
Cash flows (utilised in)/from financing activities	**(40)**	(16)	(16)	2 829
Returned to shareholders	**–**	(3 745)	(3 745)	(6 154)
Net decrease in cash and cash equivalents	**(8 080)**	(13 099)	(13 099)	(27 745)
Cash and cash equivalents at beginning of period	**(29 050)**	(1 305)	(1 305)	(1 305)
Cash and cash equivalents at end of period	**(37 130)**	(14 404)	(14 404)	(29 050)

Condensed Consolidated Statement of Financial Position

	Unaudited 30 Sep 2012 R'000	Restated Unaudited 30 Sep 2011 R'000	Unaudited 30 Sep 2011 R'000	Audited 31 Mar 2012 R'000
ASSETS				
Non-current assets	**50 000**	42 623	42 173	47 299
Equipment and vehicles	**6 294**	9 998	9 998	6 878
Investment property	**7 645**	3 257	3 257	7 645
Goodwill	**13 293**	12 012	12 012	13 293
Intangible assets	**3 962**	1 348	1 348	2 992
Long-term receivables	**1 214**	1 214	1 214	1 214
Investment in and loan to associate	**6 912**	5 704	5 704	5 815
Deferred tax asset	**10 680**	9 090	8 640	9 462
Current assets	**119 335**	109 826	109 826	104 087
Inventories	**741**	1 497	1 497	532
Trade receivables	**106 814**	82 352	82 352	86 641
Other receivables	**4 551**	3 596	3 596	5 419
Cash and cash equivalents	**7 229**	22 381	22 381	11 495
Total assets	**169 335**	152 449	151 999	151 386
EQUITY AND LIABILITIES				
Equity	**78 706**	73 202	74 359	73 530
Capital and reserves	**79 561**	73 677	74 787	74 377
Non-controlling interest	**(855)**	(475)	(428)	(847)
Non-current liabilities	**–**	4 066	4 066	–
Interest-bearing financial liabilities	**–**	4 066	4 066	–
Current liabilities	**90 629**	75 181	73 574	77 856
Trade and other payables	**38 115**	35 253	33 646	30 400
Current portion of financial liabilities	**–**	101	101	40
Taxation payable	**1 261**	2 139	2 139	1 202
Short-term vendor obligation	**981**	903	903	1 281
Short-term loan	**4 388**	–	–	4 388
Bank borrowings	**45 884**	36 785	36 785	40 545
Total equity and liabilities	**169 335**	152 449	151 999	151 386
Number of shares in issue at end of period ('000) (net of treasury and share trust shares)	**93 682**	92 152	92 152	93 682
Net asset value per share (cents)	**84**	79	81	78

Condensed Consolidated Statement of Changes in Equity

	Unaudited 6 months ended 30 Sep 2012 R'000	Restated Unaudited 6 months ended 30 Sep 2011 R'000	Unaudited 6 months ended 30 Sep 2011 R'000	Audited 12 months ended 31 Mar 2012 R'000
Balance at beginning of the period	**73 530**	72 896	72 896	72 896
Attributable earnings for the period	**4 340**	4 161	5 271	7 359
Dividends paid	**–**	(2 381)	(2 381)	(3 124)
Treasury share movements	**844**	(1 276)	(1 276)	(3 030)
Share-based payment	**–**	11	11	10
Non-controlling shareholders' interest	**(8)**	(209)	(162)	(581)
Balance at end of the period	**78 706**	73 202	74 359	73 530

Segmental Analysis

	Unaudited 6 months ended 30 Sep 2012 R'000	Restated Unaudited 6 months ended 30 Sep 2011 R'000	Unaudited 6 months ended 30 Sep 2011 R'000	Audited 12 months ended 31 Mar 2012 R'000
Revenue from external customers				
Human Capital Outsourcing	**307 581**	275 667	275 667	552 309
Human Capital Development	**32 847**	31 690	31 690	60 836
Total	**340 428**	307 357	307 357	613 145
Revenue – inter-segment				
Human Capital Outsourcing	**–**	–	–	–
Human Capital Development	**3 757**	1 031	1 031	5 424
Total	**3 757**	1 031	1 031	5 424
Business segment results				
Human Capital Outsourcing	**6 236**	7 294	8 901	10 369
Human Capital Development	**1 655**	1 397	1 397	(1 206)
Central Services	**(2 923)**	(3 292)	(3 292)	(3 544)
Operating profit	**4 968**	5 399	7 006	5 619
Interest received	**904**	2 990	2 990	6 255
Interest paid	**(2 572)**	(2 687)	(2 687)	(4 990)
Share of loss from associate	**(186)**	(847)	(847)	(1 355)
Profit before taxation	**3 114**	4 855	6 462	5 529
Business segment total assets				
Human Capital Outsourcing	**126 084**	99 268	98 818	111 278
Human Capital Development	**29 443**	33 888	33 888	32 346
Central Services	**13 808**	19 293	19 293	7 762
Total	**169 335**	152 449	151 999	151 386

Commentary

Review of results

Operating results for the six-month interim period ended 30 September 2012 were encouraging, given the volatile legislative and economic environment facing the temporary employment services industry.

To facilitate ease of comparison, the comparable six-month period ended 30 September 2011 has been updated for the residual effects of the prior year error, which was fully accounted for and disclosed in the preliminary and integrated reports for the year ended 31 March 2012. The error was detected by management after the March 2012 year end, and after the publication of the September 2011 interim results. The comparative results have also been restated to separately disclose the trading results of the computer training colleges business which is in the process of being discontinued, and is accounted for as a discontinued operation in terms of IFRS 5, Non-current Assets Held for Sale and Discontinued Operations. Consequently the comparisons in the commentary are made in relation to the restated numbers as presented.

Revenue for the six months increased by 11% to R340,4 million. Gross profit increased by 9% from R56,2 million to R61,2 million, while the gross profit percentage decreased from 18,3% to 18,0%, which is indicative of ongoing margin pressures across the sectors which the Group services. EBITDA was negatively affected by the substantial expenditure on learnerships during the current review period and has decreased marginally from R6,7 million to R6,4 million. The operating profit, including the costs of these learnerships, was R5,0 million compared to R5,4 million for the comparable period.

The learnership programme benefits the Group and its clients through the development of workplace skills and also positively impacts the Group's tax line.

Actions taken to turn around the associate company have proved positive, with the Group's share of the associate's loss decreasing from R0,9 million to R0,2 million. The increase in the investment in and loan to associate relates not only to the aforementioned loss but also to the associate's working capital needs arising from improved sales and increased trade receivables.

Total comprehensive income increased by 10% compared to the corresponding period, with earnings per share and headline earnings per share both improving by 6% from 4,38 cents per share to 4,63 cents share. Earnings per share and headline earnings per share from continuing operations increased by 24% from 4,47 cents per share to 5,56 cents per share.

The material increase in trade debtors is attributable to a combination of sales growth, particularly in the Outsourcing division, compounded by a few significant clients having settled their accounts immediately after the due date of the end of September. The delay also negatively affected the cash generated from operations as well as gearing measured at 30 September. But for these delayed payments the overall gearing would have decreased from 46% at the end of March 2012 to 40% at the end of September. The Group's focus on cash generation is expected to improve liquidity which will position it to take advantage of new opportunities.

In order to reduce risk in the Group, the decision to discontinue the Colleges unit was made during the interim reporting period and the effects of this decision are evident in the financial statements. The unit's performance over the last few years has been negatively affected by the economic segment in which it operated. The operation, whilst trading at a loss, is not anticipated to utilise significant cash during the remainder of the year. The Group will meet its responsibility to complete the education of learners who are currently enrolled.

As part of its ongoing cost management and efficiency focus, the Group has implemented a programme of reorganisation and centralisation, particularly in its back-office environment, so as to enhance its competitive position. This will incur some costs in the short-term, but should deliver benefits in the forthcoming financial year. As part of this reorganisation D Seaton, previously a non-executive director and consultant to the Group, was appointed as an executive director responsible for Legal and Risk and associated commercial activities.

Human Capital Outsourcing

The Outsourcing division's revenue increased by 12% from R275,7 million to R307,6 million for the review period. Operating profit was R6,2 million compared to R7,3 million in the comparable period with the reduction being attributable to the high level of expenditure in regard to learnerships delivered. The shortage of large infrastructure projects continues to impede the performance of the "white collar" professional draughting and engineering unit as well as the performance of the mega-project wage bureau unit. The performance of the "blue collar" flexible staffing unit, which has specialist expertise in the logistics, warehousing and distribution industries as well as in the manufacturing, construction and engineering sectors, has been solid. While revenue has improved, margins have remained under pressure. Operationally, the reorganisation of the Outsourcing division has focused on strengthening client relationships and on driving a customer-centric outlook across the division.

The issue relating to the further regulation rather than the banning of labour brokers seems to be reaching conclusion. The proposed amendments to the Labour Relations Act and Basic Conditions of Employment Act will compound the complexity and administrative burdens within the existing labour environment. As a result of the impending legislation organisations will require specialised expertise and infrastructure to manage their staffing requirements. Consequently, the larger more reputable temporary employment services providers such as Primeserv stand to benefit from these changes.

The Outsourcing division experienced significant disruption due to the lengthy absence through illness and subsequent resignation of its long-serving and valued MD, Allan McMillan. In order to minimise that disruption and prioritise key client relationships, the Group CEO formally assumed operational control as MD of the division. This dual role has proved successful both operationally and as a key cost-saving initiative.

Human Capital Development

The segment's operating profit increased despite the R0,5 million operating loss from the discontinued Colleges business. The improvement in performance is attributable to the improved results from the HR consulting and training units.

A key differentiator for the Group is its integrated HR services offering which draws from the various operating units to deliver a complete HR services solution to Primeserv's clients.

Empowerment and transformation

As previously announced, and as part of Primeserv's ongoing transformation process, the Group is finalising the first phase of a new and enhanced B-BBEE ownership participation structure.

Events after the reporting date

Management is not aware of any material events which have occurred subsequent to the end of September 2012.

Accounting policies

The results for the six months have been prepared in accordance with the Group's accounting policies which are consistent with those at 31 March 2012 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 results were prepared by the Group Financial Director, Mr R Sack.

Dividend declaration

No dividend has been proposed for the period under review. The resumption of dividend payments will be assessed at the conclusion of each reporting period.

Outlook

Operationally, the Group continues to focus on managing its costs and working capital, implementing its reorganisation plan, driving efficiencies and delivering an integrated HR value offering to its clients.

Strategically, the Group is actively working to increase the realisable value creation opportunities inherent in its operating subsidiaries.

On behalf of the Board

JM Judin	**M Abel**	**R Sack**	**29 November 2012**
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*, 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) Ltd, 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) Ltd, The Woodlands, Woodlands Drive, Woodmead, 2196 (Private Bag X6, Gallo Manor, 2052)

PRIMESERV HR SOLUTIONS • PRIMESERV COLLEGES • PRIMESERV RECRUITMENT • PRIMESERV OUTSOURCING • STAFF DYNAMIX • Denverdraft • BATHUSI STAFFING SERVICES • EMPVEST OUTSOURCING

GRAPHICULTURE MAJAA74M