

Reviewed results

FOR THE EIGHTEEN MONTHS ENDED 31 DECEMBER 2006

AND FURTHER CAUTIONARY ANNOUNCEMENT

("Primeserv" or "the Group") • 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



Income Statement

for the eighteen months ended 31 December 2006

	Reviewed 18 months ended 31 Dec 2006 R '000	Pro forma 12 months ended 31 Dec 2006 R '000	Audited 12 months ended 30 Jun 2005 R '000
Revenue ⁽¹⁾	518 111	348 821	374 641
EBITDA	6 106	5 746	3 665
Depreciation	(1 820)	(1 225)	(1 490)
Operating profit	4 286	4 521	2 175
Interest received	3 319	1 849	927
Interest paid	(1 397)	(787)	(1 704)
Capital surplus on sale of business	–	–	4 234
Share of impairment of goodwill in associate	–	–	(1 558)
Share of profit from associate company	66	4	44
Net profit before exceptional items	6 274	5 587	4 118
Exceptional items	537	(5)	(1 500)
Net profit before taxation	6 811	5 582	2 618
Taxation	(1 175)	(865)	716
Net profit after taxation	5 636	4 717	3 334
<i>Attributable to:</i>			
Ordinary shareholders	5 636	4 863	3 079
Minority shareholders	–	(146)	255
Attributable profit	5 636	4 717	3 334
Reconciliation of headline earnings			
Net profit attributable to shareholders	5 636	4 863	3 079
After tax effect of profit on sale of fixed assets	(130)	(132)	(98)
Capital surplus on sale of business	–	–	(4 234)
Share of impairment of goodwill in associate	–	–	1 558
Headline earnings	5 506	4 731	305
Weighted average number of shares ('000)	114 662	114 564	115 766
Diluted number of shares ('000)	116 382	116 384	117 179
Earnings per share (cents)	4,92	4,24	2,66
Diluted earnings per share (cents)	4,84	4,18	2,63
Headline earnings per share (cents)	4,80	4,13	0,26
Diluted headline earnings per share (cents)	4,73	4,06	0,26

⁽¹⁾ **Revenue note:** Excludes revenue from Bathusi Staffing Services (Pty) Limited, which was deconsolidated as a result of a BEE transaction and has since been accounted for as an associate. The effect on the Outsourcing division and the HR Solutions division was as follows:

	Reviewed 18 months ended 31 Dec 2006 R '000	Pro forma 12 months ended 31 Dec 2006 R '000	Audited 12 months ended 30 Jun 2005 R '000
Outsourcing	68 026	43 764	24 515
HR Solutions	1 624	1 227	161
	69 650	44 991	24 676

Segmental Analysis

for the eighteen months ended 31 December 2006

	Reviewed 18 months ended 31 Dec 2006 R '000	Pro forma 12 months ended 31 Dec 2006 R '000	Audited 12 months ended 30 Jun 2005 R '000
Revenue ⁽¹⁾			
Outsourcing	465 928	312 703	334 452
Computer Training Colleges	28 611	20 207	21 297
HR Solutions	23 572	15 911	18 892
	518 111	348 821	374 641
Operating profit ⁽²⁾			
Outsourcing	19 730	16 282	17 966
Computer Training Colleges	4 281	3 488	3 931
HR Solutions	(2 588)	(1 485)	(9 273)
Central Services	(17 137)	(13 764)	(10 449)
	4 286	4 521	2 175
Net profit before taxation			
Outsourcing	20 971	16 706	17 975
Computer Training Colleges	4 283	3 490	3 928
HR Solutions	(2 116)	(1 399)	(8 975)
Central Services	(16 327)	(13 215)	(10 310)
	6 811	5 582	2 618

⁽²⁾ **Operating profit note:** Certain comparative values for June 2005 have been restated to better reflect operational activities.

Cash Flow Statement

for the eighteen months ended 31 December 2006

	Reviewed 18 months ended 31 Dec 2006 R '000	Pro forma 12 months ended 31 Dec 2006 R '000	Audited 12 months ended 30 Jun 2005 R '000
Cash flows from operating activities	(1 049)	(3 927)	6 434
Cash flows from investing activities	(2 185)	(749)	(7)
Cash flows from financing activities	(120)	481	(369)
Net (decrease)/increase in cash and cash equivalents	(3 354)	(4 195)	6 058
Cash and cash equivalents at beginning of period	4 865	5 706	(1 193)
Cash and cash equivalents at end of period	1 511	1 511	4 865

Balance Sheet

as at 31 December 2006

	Reviewed 31 Dec 2006 R '000	Pro forma 31 Dec 2006 R '000	Audited 30 Jun 2005 R '000
ASSETS			
Non-current assets	17 944	17 944	19 042
Equipment and vehicles	3 117	3 117	2 412
Intangible assets	576	576	576
Investment and loan in associate	4 725	4 725	5 247
Long-term receivables	451	451	770
Deferred tax asset	9 075	9 075	10 037
Current assets	69 480	69 480	47 346
Inventories	741	741	979
Trade receivables	48 252	48 252	32 419
Other receivables	2 254	2 254	2 170
Taxation receivable	67	67	173
Bank balances and cash	18 166	18 166	11 605
Total assets	87 424	87 424	66 388
EQUITY AND LIABILITIES			
Equity	43 592	43 592	39 397
Capital and reserves	43 531	43 531	39 336
Minority shareholders' interest	61	61	61
Non-current liabilities	262	262	382
Current liabilities	43 570	43 570	26 609
Trade and other payables	26 915	26 915	19 818
Short-term interest-bearing borrowings	387	387	190
Taxation	–	–	51
Bank borrowings	16 268	16 268	6 550
Total equity and liabilities	87 424	87 424	66 388
Number of shares in issue at end of period ('000)	114 417	114 417	114 859
Net asset value per share (cents)	38	38	34

Statement of Changes in Equity

for the eighteen months ended 31 December 2006

	Reviewed 18 months ended 31 Dec 2006 R '000	Pro forma 12 months ended 31 Dec 2006 R '000	Audited 12 months ended 30 Jun 2005 R '000
Balance at beginning of the period	39 397	40 316	36 627
Repurchase of securities	(144)	(144)	(374)
Shares allocated and issued by share trust	–	–	4
Minority shareholders' interest	–	(146)	61
Net income attributable to shareholders	5 636	4 863	3 079
Dividend paid	(1 297)	(1 297)	–
Balance at end of the period	43 592	43 592	39 397

Commentary

Profile

Primeserv is a holding company with specialised subsidiary and associate operations that focus on the human resources (HR) needs of the South African corporate, industrial and government sectors.

Overview

These results are for an eighteen-month period and consequently certain comparatives with the audited results for the twelve months ended 30 June 2005 are not made in the commentary below.

The Group recorded revenue of R518 million for the eighteen months ended 31 December 2006. This excludes revenue generated by Bathusi Staffing Services (Pty) Ltd ("Bathusi"), the Group's BEE associate company, of R69,7 million (see Revenue note 1 to the Income Statement).

The Group produced EBITDA of R6,1 million and operating profit of R4,3 million for the eighteen months ended 31 December 2006. In addition the Group earned a net R1,9 million in interest as well as recovering R0,5 million in proceeds from the disposal of an operation which had previously been impaired. The Group generated a net profit before tax of R6,8 million and a net profit attributable to shareholders of R5,6 million. Headline earnings for the period were R5,5 million resulting in headline earnings per share of 4,8 cents (2005: 0,26 cents per share). The Group's results reflect a marked improvement by its operations compared to the previous period.

The Group's balance sheet continued to strengthen, and the Group remained in a net ungeared position at 31 December 2006, albeit that trade receivables increased by R15,8 million as a result of stronger sales in the Outsourcing division in the last six months of the reporting period. Net asset value per share increased by 12% to 38 cents per share (2005: 34 cents per share).

All Group operations showed an improved overall performance when assessed on a period-on-period basis. The Computer Training Colleges division has a strong January to June bias, whereas the Outsourcing and HR Solutions divisions historically perform better in the July to December half of the year, which is reflected in the results as reported.

The Outsourcing division, with revenue of R465,9 million for the period (excluding R68 million from Bathusi as per Revenue note 1 to the Income Statement) underperformed for the first twelve months of the period; however, this was addressed and an improved operating performance was achieved in the last six months.

The logistics, warehousing and industrial flexible staffing unit performed well and it continued to expand its national footprint. The white collar professional staffing unit was buoyant, driven by growth in infrastructural projects, but remains challenged by the national skills shortage.

The division's mega-project wage bureau unit experienced delays to start dates of certain key projects, such as Coega and Gautrain, resulting in costs being incurred without the matching budgeted revenues, however, a positive contribution from this unit is expected in 2008.

The Bathusi operation which specialises in the provision of outsourced staffing to the petrochemical, mining and allied industries delivered a patchy performance due in the main to delays in planned shutdowns and restructuring at certain key clients. Performance nevertheless improved in the last six months of the review period. The contribution to Group results from the operations of Bathusi is reflected largely in cost recoveries and the interest received line. Interest received includes an amount of approximately R1,4 million in interest, which is regarded as an operational recovery rather than interest earned on surplus funds.

The Outsourcing division continues to focus on revenue growth, margin improvement and working capital management.

Notwithstanding the completion of certain corporate training contracts, the Computer Training Colleges division delivered a solid performance for the eighteen months, recording a net profit before tax of R4,3 million on revenue of R28,6 million. This division is more suited to being analysed on a calendar year basis, with a large portion of its net profit before tax being achieved in the first half of the year. Strong cash flows were produced for the period. College learner numbers increased on a January to December year-on-year basis. Investment was made in upgrading of facilities, opening of new colleges, course development and equipment. Further investment is planned.

The human capital HR Solutions division, comprising the HR Consulting, Corporate Training and Technical Training units further reduced its losses. No meaningful loss is expected from the division in the year ahead. The division continues to provide a strategic value to the Group's integrated HR Services offering.

Post-Balance Sheet Event and Further Cautionary Announcement

As previously announced the Group acquired the staff outsourcing business, Staff Dynamix, with effect from 1 March 2007 subject to the fulfilment of conditions precedent. Consequently the impact of the Staff Dynamix business on the Group's results for the current year will be for a ten-month period only.

Shareholders are advised to continue to exercise caution until a further announcement which includes the financial effects of this transaction is made.

Prospects

The Group will continue to pursue organic growth and strategic acquisitions and expects improved operating results in the year ahead.

Accounting Policies

The results for the period have been prepared in accordance with the Group's accounting policies. These comply with International Financial Reporting Standards ("IFRS"), which were adopted with effect from 1 July 2004. The adoption of IFRS did not require any adjustments to opening reserves and no prior period adjustments were required.

Review by Independent Auditors

The results have been reviewed by the Group's auditors, PKF (Jhb) Inc. Their unqualified review report is available for inspection at Primeserv's registered address.

On behalf of the board

JM Judin Chairman
M Abel Chief Executive Officer
R Sack Chief Financial Officer
30 March 2007
Bryanston

Dividend Declaration

Further to a 1 cent per share interim dividend paid in October 2006, notice is hereby given that a final dividend of 0,5 cents per share was declared on 29 March 2007, 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" final dividend	Friday, 4 May 2007
First day to trade "EX" final dividend	Monday, 7 May 2007
Record date	Friday, 11 May 2007
Payment date	Monday, 14 May 2007

No share certificates may be dematerialised or rematerialised between Monday, 7 May 2007 and Friday, 11 May 2007, both days inclusive.

Directors: **JM Judin** (Chairman)*, **M Abel** (Chief Executive Officer), **Prof S Klein** (American), **AT McMillan** (British), **C Nkosi**, **DL Rose**, **DC Seaton***
* Non-executive

Company Secretary: **R Sack**

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

Transfer secretaries: **Computershare Investor Services 2004 (Pty) Limited, 70 Marshall Street, Johannesburg 2001 (PO Box 61051, Marshalltown 2107)**

Sponsor: **Deloitte & Touche Sponsor Services (Pty) Limited, The Woodlands, Woodlands Drive, Woodmead, Sandton 2146**

