

# Unaudited results

FOR THE SIX MONTHS ENDED 30 JUNE 2007

("Primeserv" or "the Group") • Incorporated in the Republic of South Africa  
Registration number: 1997/013448/06 • Share code: PMV • ISIN: ZAE000039277  
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## Income Statement

for the six months ended 30 June 2007

	Unaudited 6 months ended 30 Jun 2007 R'000	Pro forma 6 months ended 30 Jun 2006 R'000	Audited 18 months ended 31 Dec 2006 R'000
<b>Revenue<sup>(1)</sup></b>	<b>215 232</b>	167 430	518 111
<b>EBITDA</b>	<b>7 105</b>	2 997	6 106
Depreciation	(850)	(624)	(1 820)
<b>Operating profit</b>	<b>6 255</b>	2 373	4 286
Interest received	205	459	3 319
Interest paid	(932)	(421)	(1 397)
IFRS 3 adjustment	(143)	–	–
Share of profit/(loss) from associate company	45	(49)	66
<b>Net profit before exceptional items</b>	<b>5 430</b>	2 362	6 274
Exceptional items	–	(5)	537
<b>Net profit before taxation</b>	<b>5 430</b>	2 357	6 811
Taxation	(1 114)	(700)	(1 175)
<b>Net profit after taxation</b>	<b>4 316</b>	1 657	5 636
<i>Attributable to:</i>			
Ordinary shareholders	4 316	1 657	5 636
Minority shareholders	–	139	–
<b>Attributable profit</b>	<b>4 316</b>	1 796	5 636
<b>Reconciliation of headline earnings</b>			
Net profit attributable to shareholders	4 316	1 796	5 636
After-tax effect of profit on sale of assets	(7)	(161)	(130)
<b>Headline earnings</b>	<b>4 309</b>	1 635	5 506
Weighted average number of shares ('000)	114 417	114 846	114 662
Diluted weighted average number of shares ('000)	115 905	116 508	116 382
Earnings per share (cents)	3,77	1,56	4,92
Diluted earnings per share (cents)	3,72	1,54	4,84
Headline earnings per share (cents)	3,77	1,42	4,80
Diluted headline earnings per share (cents)	3,72	1,40	4,73

<sup>(1)</sup> **Revenue note:** Excludes revenue from Bathusi Staffing Services (Pty) Limited ("Bathusi") 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:

	Unaudited 6 months ended 30 Jun 2007 R'000	Pro forma 6 months ended 30 Jun 2006 R'000	Audited 18 months ended 31 Dec 2006 R'000
Outsourcing	24 665	18 025	68 026
HR Solutions	559	739	1 624
	<b>25 224</b>	18 764	69 650

## Segmental Analysis

for the six months ended 30 June 2007

	Unaudited 6 months ended 30 Jun 2007 R'000	Pro forma 6 months ended 30 Jun 2006 R'000	Audited 18 months ended 31 Dec 2006 R'000
<b>Revenue</b>			
Outsourcing	194 607	147 981	465 928
Computer Training Colleges	13 244	11 441	28 611
HR Solutions	7 381	8 008	23 572
	<b>215 232</b>	167 430	518 111
<b>Operating profit<sup>(1)</sup></b>			
Outsourcing	9 250	8 364	19 730
Computer Training Colleges	3 133	3 210	4 281
HR Solutions	(174)	(1 990)	(2 588)
Central Services	(5 954)	(7 211)	(17 137)
	<b>6 255</b>	2 373	4 286
<b>Net profit before taxation</b>			
Outsourcing	7 168	5 251	20 971
Computer Training Colleges	3 133	3 170	4 283
HR Solutions	(183)	(1 358)	(2 116)
Central Services	(4 688)	(4 706)	(16 327)
	<b>5 430</b>	2 357	6 811

<sup>(1)</sup> **Operating profit note:** Certain comparative values for June 2006 have been restated to better reflect operational activities.

## Cash Flow Statement

for the six months ended 30 June 2007

	Unaudited 6 months ended 30 Jun 2007 R'000	Pro forma 6 months ended 30 Jun 2006 R'000	Audited 18 months ended 31 Dec 2006 R'000
Cash flows from operating activities	558	705	(1 049)
Cash flows from investing activities	(1 009)	317	(2 185)
Cash flows from acquisition of business	(790)	–	–
Cash flows applied as working capital to Staff Dynamix	(2 083)	–	–
Cash flows from financing activities	451	(299)	(120)
Net (decrease)/increase in cash and cash equivalents	(2 873)	723	(3 354)
Cash and cash equivalents at beginning of period	1 511	5 706	4 865
<b>Cash and cash equivalents at end of period</b>	<b>(1 362)</b>	6 429	1 511

## Balance Sheet

as at 30 June 2007

	Unaudited 30 Jun 2007 R'000	Pro forma 30 Jun 2006 R'000	Audited 31 Dec 2006 R'000
<b>ASSETS</b>			
<b>Non-current assets</b>	<b>24 152</b>	19 318	17 944
Equipment and vehicles	4 594	2 435	3 117
Intangible assets	6 049	576	576
Investment and loan in associate	4 206	6 938	4 725
Long-term receivables	–	–	451
Deferred tax asset	9 303	9 369	9 075
<b>Current assets</b>	<b>89 566</b>	49 356	69 480
Inventories	1 485	714	741
Trade receivables	60 021	34 443	48 252
Other receivables	1 967	2 722	2 254
Taxation receivable	101	173	67
Bank balances and cash	25 992	11 304	18 166
<b>Total assets</b>	<b>113 718</b>	68 674	87 424
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>47 384</b>	41 831	43 592
Capital and reserves	47 323	41 763	43 531
Minority interest	61	68	61
<b>Non-current liabilities</b>	<b>83</b>	444	262
<b>Current liabilities</b>	<b>66 251</b>	26 399	43 570
Trade and other payables	32 160	21 292	26 915
Short-term interest-bearing borrowings*	5 860	386	387
Taxation	1 264	232	–
Bank borrowings	26 967	4 489	16 268
<b>Total equity and liabilities</b>	<b>113 718</b>	68 674	87 424
Number of shares in issue at end of period ('000)	115 499	114 417	114 417
Net asset value per share (cents)	41	37	38

\* Includes an amount of R5,473 million as determined in terms of IFRS 3 and deemed as due to the vendor of Staff Dynamix.

## Statement of Changes in Equity

for the six months ended 30 June 2007

	Unaudited 6 months ended 30 Jun 2007 R'000	Pro forma 6 months ended 30 Jun 2006 R'000	Audited 18 months ended 31 Dec 2006 R'000
Balance at beginning of the period	43 592	40 317	39 397
Repurchase of securities	–	(143)	(144)
Shares allocated and issued by share trust	136	–	–
Minority interest	–	(139)	–
Net profit attributable to shareholders	4 316	1 796	5 636
Dividend paid	(660)	–	(1 297)
<b>Balance at end of the period</b>	<b>47 384</b>	41 831	43 592

## Commentary

### Profile

Primeserv is an investment holding company whose products and services meet the human resources (HR) needs of the South African corporate, industrial and government sectors and are provided through its specialised HR Solutions, Computer Training Colleges and Outsourcing divisions. These offerings incorporate HR solutions, consulting, skills training centres, corporate and vocational training programmes, as well as resourcing and flexible staffing services, including labour outsourcing and wage bureau operations.

### Overview

Primeserv changed its financial year-end to 31 December in the prior financial period. Consequently, the comparative results for the six months ended 30 June 2006 are pro forma.

Consolidated revenue increased by 29% from R167,4 million for the pro forma six months ended 30 June 2006 to R215,2 million for the current review period, with EBITDA increasing by 137% from R3 million to R7,1 million. Operating profit rose by 164% from R2,4 million to R6,3 million, as a result of an overall improvement in the Group's operations. Net profit before tax increased by 130% from R2,4 million to R5,4 million. Headline earnings per share increased by 165% from 1,42 cents per share to 3,77 cents per share.

The requirements of IFRS 3 in regard to the recently acquired flexible staffing business, Staff Dynamix, have resulted in an increase in the balance sheet amounts for both goodwill and short-term interest-bearing borrowings, which were both adjusted by R5,47 million. In addition, there is an IFRS 3-based deemed interest charge of R143 000 included in the results.

The balance sheet continues to strengthen albeit that the Group has seen an increase in bank borrowings and trade payables. A large portion of the increases are due to the Staff Dynamix acquisition as well as the fact that various provisions are being increased in line with pay-out expectations for December relating to contractor bonuses and leave pay. Net asset value has increased by 11% to 41 cents per share (pro forma 2006: 37 cents per share).

The Group's operations continued to generate positive cash flows. The Group has invested substantially in funding the working capital requirements of Staff Dynamix. The benefits of this acquisition are anticipated to take effect from the latter part of this financial year.

Trade receivables increased from R34,4 million to R60 million as a result of the Staff Dynamix acquisition as well as a consequence of slightly weaker debtors days in the Outsourcing division, due primarily to delays in finalising the implementation of the Group's new payroll and accounting system. This should be resolved in the second half of the year.

The Outsourcing division, specialising in flexible staffing solutions to business and heavy industry, increased revenue by 32% from R148 million to R194,7 million, resulting in an improvement in operating profit of 11% from R8,4 million to R9,3 million. The logistics, warehousing and industrial flexible staffing units continued to perform well, while the white collar professional staffing unit remains affected by the dearth of suitably qualified and experienced contractors.

The division, together with the Group's other HR Services divisions, continues to seek innovative solutions that address the constraints brought about by the national skills shortage.

Historically the Outsourcing division has a stronger second six months and remains focussed on revenue growth, margin improvement and working capital management.

The Group's BEE associate, Bathusi, which specialises in the outsourcing of staffing solutions to the petrochemical, mining and allied industries, grew revenue by 37% to R24,7 million from R18 million.

The Computer Training Colleges division performed solidly for the first six months of the year. Revenue increased by 16% to R13,2 million for the review period (pro forma 2006: R11,4 million). Operating profit of R3,1 million remained flat due primarily to the development of new products and courses as well as the current programme of upgrading the infrastructure at a number of colleges.

The human capital HR Solutions division, comprising the HR Consulting and Technical Training units, continued to improve its performance and, in line with expectations, delivered a small operating loss of R0,17 million compared to the pro forma R1,99 million loss for the prior period. The division is of strategic value to the Group and, in particular, to the delivery of its integrated HR services model.

### Directorate

Subsequent to the period-end, Connie Nkosi resigned to pursue her interests in the mining sector, and the board thanks her for her contribution.

### Prospects

Improved operating results are anticipated for the second half of the year.

### Accounting Policies

The results for the period 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 ("IFRS"), which were adopted with effect from 1 July 2004 and also comply with IAS 34 – Interim Financial Reporting. The adoption of IFRS did not require any adjustments to opening reserves and no prior period adjustments were required. Certain adjustments have been made to the results arising out of the acquisition of the business of Staff Dynamix and which are required in terms of IFRS 3. These adjustments are indicated on the face of the income statement as well as in notes to the results and in the commentary above.

### On behalf of the board

<b>JM Judin</b> Chairman	<b>M Abel</b> Chief Executive Officer	<b>R Sack</b> Chief Financial Officer	<b>20 September 2007</b> Bryanston
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### Dividend Declaration

Notice is hereby given that Primeserv has declared an interim dividend (dividend declaration number 5) for the six months ended 30 June 2007 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, 5 October 2007
First day to trade "EX" dividend	Monday, 8 October 2007
Record date	Friday, 12 October 2007
Payment date	Monday, 15 October 2007

No share certificates may be dematerialised or rematerialised between Monday, 8 October 2007 and Friday, 12 October 2007, both days inclusive.

**Directors:** JM Judin (Chairman)\*, M Abel (Chief Executive Officer), Prof S Klein\* (American), AT McMillan (British), 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

