PRIMESERV GROUP LIMITED

UNAUDITED RESULTS

for the six months ended 30 September 2013

GRAPHICULTURE MAJAA86M

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Condensed Consolidated Statement of Comprehensive Income

for the six months ended 30 September 2013

	Unaudited 30 Sept 2013 R'000	Restated Unaudited 30 Sept 2012 R'000	Adjusted Unaudited 30 Sept 2012 R'000	Previously Reported Unaudited 30 Sept 2012 R'000	Restated Unaudited 31 March 2013 R'000	Adjustment 31 March 2013 R'000	Previously Reported Audited 31 March 2013 R'000
Revenue	**322 925**	359 751	19 323	340 428	704 674	49 781	654 893
– Continuing operations	**321 465**	341 083	19 323	321 760	672 789	49 781	623 008
– Discontinued operations	**1 460**	18 668	–	18 668	31 885	–	31 885
Cost of sales	**(272 857)**	(296 037)	(16 853)	(279 184)	(592 364)	(43 459)	(548 905)
Gross profit	**50 068**	63 714	2 470	61 244	112 310	6 322	105 988
– Continuing operations	**51 370**	46 870	2 470	44 400	90 584	6 322	84 262
– Discontinued operations	**(1 302)**	16 844	–	16 844	21 726	–	21 726
EBITDA	**7 661**	6 926	501	6 425	3 201	2 314	887
– Continuing operations	**9 663**	7 058	501	6 557	7 478	2 314	5 164
– Discontinued operations	**(2 002)**	(132)	–	(132)	(4 277)	–	(4 277)
Depreciation and amortisation	**(1 202)**	(1 470)	(13)	(1 457)	(2 232)	(22)	(2 210)
Operating profit/(loss)	**6 459**	5 456	488	4 968	969	2 292	(1 323)
– Continuing operations	**8 461**	5 964	488	5 476	7 234	2 292	4 942
– Discontinued operations	**(2 002)**	(508)	–	(508)	(6 265)	–	(6 265)
Interest received	**725**	157	(747)	904	992	(731)	1 723
Interest paid	**(3 204)**	(2 886)	(314)	(2 572)	(5 136)	(1 464)	(3 672)
Impairment of assets – discontinued operations	**–**	–	–	–	(1 203)	–	1 203
Share of profit/(loss) from associate	**–**	–	186	(186)	–	(31)	31
Profit/(loss) before taxation	**3 980**	2 727	(387)	3 114	(4 378)	66	(4 444)
– Continuing operations	**5 982**	3 943	(387)	4 330	2 962	66	2 896
– Discontinued operations	**(2 002)**	(1 216)	–	(1 216)	(7 340)	–	(7 340)
Taxation	**(77)**	1 218	–	1 218	104	–	104
Total comprehensive income/(loss)	**3 903**	3 945	(387)	4 332	(4 274)	66	(4 340)
– Continuing operations	**5 905**	4 820	(387)	5 207	4 731	66	4 665
– Discontinued operations	**(2 002)**	(875)	–	(875)	(9 005)	–	(9 005)
Total comprehensive income attributable to:							
Ordinary shareholders of the Company	**3 655**	4 340	–	4 340	(3 991)	–	(3 991)
– Continuing operations	**5 657**	5 215	–	5 215	5 014	–	5 014
– Discontinued operations	**(2 002)**	(875)	–	(875)	(9 005)	–	(9 005)
Non-controlling shareholders' interest	**248**	(395)	(387)	(8)	(283)	66	(349)
Total comprehensive income/(loss)	**3 903**	3 945	(387)	4 332	(4 274)	66	(4 340)
Reconciliation of headline earnings							
Net profit/(loss) attributable to shareholders	**3 655**	4 340	–	4 340	(3 991)	–	(3 991)
After-tax effect of profit on sale of fixed assets – continuing operations	**–**	–	–	–	(65)	–	(65)
Impairment of assets – discontinued operations	**–**	–	–	–	1 203	–	1 203
Headline earnings	**3 655**	4 340	–	4 340	(2 853)	–	(2 853)
– Continuing operations	**5 657**	5 215	–	5 215	4 949	–	4 949
– Discontinued operations	**(2 002)**	(875)	–	(875)	(7 802)	–	(7 802)
Weighted average number of shares ('000)	**93 682**	93 682	93 682	93 682	93 682	93 682	93 682
Diluted weighted average number of shares ('000)	**93 682**	93 682	93 682	93 682	93 682	93 682	93 682
Earnings/(loss) per share and diluted earnings/(loss) per share (cents)	**3,90**	4,63	–	4,63	(4,26)	–	(4,26)
– Continuing operations	**6,04**	5,56	–	5,56	5,35	–	5,35
– Discontinued operations	**(2,14)**	(0,93)	–	(0,93)	(9,61)	–	(9,61)
Headline earnings/(loss) and diluted headline earnings/(loss) per share (cents)	**3,90**	4,63	–	4,63	(3,05)	–	(3,05)
– Continuing operations	**6,04**	5,56	–	5,56	5,28	–	5,28
– Discontinued operations	**(2,14)**	(0,93)	–	(0,93)	(8,33)	–	(8,33)

Condensed Consolidated Statement of Changes in Equity

for the six months ended 30 September 2013

	Unaudited 30 Sept 2013 R'000	Restated Unaudited 30 Sept 2012 R'000	Adjusted Unaudited 30 Sept 2012 R'000	Previously Reported Unaudited 30 Sept 2012 R'000	Restated Unaudited 31 March 2013 R'000	Adjustment 31 March 2013 R'000	Previously Reported Audited 31 March 2013 R'000
Balance at beginning of the period	**66 263**	73 530	–	73 530	73 530	–	73 530
Adjustment for policy change	**–**	(3 820)	(3 820)	–	(3 820)	(3 820)	–
Restated balance at beginning of period	**66 263**	69 710	(3 820)	73 530	69 710	(3 820)	73 530
Attributable earnings	**3 655**	4 340	–	4 340	(3 991)	–	(3 991)
Shares disposed	**–**	844	–	844	827	–	827
Non-controlling shareholders' interest	**248**	(395)	(387)	(8)	(283)	66	(349)
Balance at end of period	**70 166**	74 499	(4 207)	78 706	66 263	(3 754)	70 017

Segmental Analysis

for the six months ended 30 September 2013

	Unaudited 30 Sept 2013 R'000	Restated Unaudited 30 Sept 2012 R'000	Adjusted Unaudited 30 Sept 2012 R'000	Previously Reported Unaudited 30 Sept 2012 R'000	Restated Unaudited 31 March 2013 R'000	Adjustment 31 March 2013 R'000	Previously Reported Audited 31 March 2013 R'000
Revenue from external customers							
Human Capital Outsourcing	**306 032**	326 904	19 323	307 581	642 622	49 781	592 841
Human Capital Development	**16 893**	32 847	–	32 847	62 052	–	62 052
Total	**322 925**	359 751	19 323	340 428	704 674	49 781	654 893
Revenue – inter-segment							
Human Capital Outsourcing	**–**	–	–	–	–	–	–
Human Capital Development	**242**	3 757	–	3 757	4 089	–	4 089
Total	**242**	3 757	–	3 757	4 089	–	4 089
Business segment operating profit results							
Human Capital Outsourcing	**13 794**	6 724	488	6 236	22 463	2 292	20 171
Human Capital Development	**(411)**	1 655	–	1 655	(7 870)	–	(7 870)
– Continuing operations	**1 591**	2 163	–	2 163	(1 605)	–	(1 605)
– Discontinued operations	**(2 002)**	(508)	–	(508)	(6 265)	–	(6 265)
Central Services	**(6 924)**	(2 923)	–	(2 923)	(13 624)	–	(13 624)
Operating profit/(loss)	**6 459**	5 456	488	4 968	969	2 292	(1 323)
Interest received	**725**	157	(747)	904	992	(731)	1 723
Interest paid	**(3 204)**	(2 886)	(314)	(2 572)	(5 136)	(1 464)	(3 672)
Impairment of assets – discontinued operations	**–**	–	–	–	(1 203)	–	(1 203)
Share of profit/(loss) from associate	**–**	–	186	(186)	–	(31)	31
Profit/(loss) before taxation	**3 980**	2 727	(387)	3 114	(4 378)	66	(4 444)
Business segment total assets							
Human Capital Outsourcing	**123 234**	132 492	6 408	126 084	135 182	14 611	120 571
Human Capital Development	**25 997**	29 443	–	29 443	26 036	–	26 036
Central Services	**7 885**	13 808	–	13 808	5 654	–	5 654
Total	**157 116**	175 743	6 408	169 335	166 872	14 611	152 261

Condensed Consolidated Statement of Financial Position

as at 30 September 2013

	Unaudited 30 Sept 2013 R'000	Restated Unaudited 30 Sept 2012 R'000	Adjusted Unaudited 30 Sept 2012 R'000	Previously Reported Unaudited 30 Sept 2012 R'000	Restated Unaudited 31 March 2013 R'000	Adjustment 31 March 2013 R'000	Previously Reported Audited 31 March 2013 R'000
ASSETS							
Non-current assets	**44 140**	49 024	(976)	50 000	44 701	(971)	45 672
Equipment and vehicles	**4 027**	6 367	73	6 294	4 086	64	4 022
Investment property	**7 645**	7 645	–	7 645	7 645	–	7 645
Goodwill	**18 170**	18 170	4 877	13 293	18 170	4 877	13 293
Intangible assets	**2 350**	3 962	–	3 962	2 775	–	2 775
Long-term receivables	**1 050**	1 214	–	1 214	1 050	–	1 050
Investment and loan in associate	**–**	–	(6 912)	6 912	–	(7 321)	7 321
Deferred tax asset	**10 898**	11 666	986	10 680	10 975	1 409	9 566
Current assets	**112 976**	126 719	7 384	119 335	120 532	15 582	104 950
Inventories	**1 193**	750	9	741	857	10	847
Trade receivables	**100 813**	113 902	7 088	106 814	106 624	14 401	92 223
Other receivables	**5 785**	4 837	286	4 551	5 227	1 145	4 082
Cash and cash equivalents	**5 185**	7 230	1	7 229	7 824	26	7 798
Non-current assets held for sale	**–**	–	–	–	1 639	–	1 639
Total assets	**157 116**	175 743	6 408	169 335	166 872	14 611	152 261
EQUITY AND LIABILITIES							
Equity	**70 166**	74 499	(4 207)	78 706	66 263	(3 754)	70 017
Capital and reserves	**74 908**	79 561	–	79 561	71 213	–	71 213
Non-controlling interest	**(4 742)**	(5 062)	(4 207)	(855)	(4 950)	(3 754)	(1 196)
Current liabilities	**86 950**	101 244	10 615	90 629	100 609	18 365	82 244
Trade and other payables	**33 962**	44 563	6 448	38 115	43 823	9 551	34 272
Financial liabilities	**4 830**	5 369	–	5 369	5 031	–	5 031
Taxation payable	**1 170**	1 363	102	1 261	1 180	14	1 166
Bank borrowings	**46 988**	49 949	4 065	45 884	50 575	8 800	41 775
Total equity and liabilities	**157 116**	175 743	6 408	169 335	166 872	14 611	152 261
Number of shares in issue at end of the period ('000) (net of treasury and share trust shares)	**93 682**	93 682	93 682	93 682	93 682	93 682	93 682
Net asset value per share (cents)	**75**	80	(4)	84	71	(4)	75

Condensed Consolidated Cash Flows

for the six months ended 30 September 2013

	Unaudited 30 Sept 2013 R'000	Restated Unaudited 30 Sept 2012 R'000	Adjusted Unaudited 30 Sept 2012 R'000	Previously Reported Unaudited 30 Sept 2012 R'000	Restated Unaudited 31 March 2013 R'000	Adjustment 31 March 2013 R'000	Previously Reported Audited 31 March 2013 R'000
Profit/(loss) before taxation	**3 980**	2 541	(573)	3 114	(4 347)	97	(4 444)
Adjusted for non-cash items	**1 202**	1 470	13	1 457	3 340	23	3 317
Operating cash flows before working capital changes	**5 182**	4 011	(560)	4 571	(1 007)	120	(1 127)
Net working capital changes	**(4 944)**	(10 276)	(1)	(10 275)	(6 001)	(5 313)	(688)
Taxation (paid)/received	**(10)**	59	–	59	(36)	–	(36)
Cash flows generated by/(utilised in) operating activities	**228**	(6 206)	(561)	(5 645)	(7 044)	(5 193)	(1 851)
– Continuing operations	**1 158**	(4 851)	(561)	(4 290)	(7 000)	(5 193)	(1 807)
– Discontinued operations	**(930)**	(1 355)	–	(1 355)	(44)	–	(44)
Cash flows generated by/(utilised in) investing activities	**921**	(1 126)	1 269	(2 395)	(1 207)	1 191	(2 398)
– Continuing operations	**76**	(2 761)	1 269	(4 030)	(1 195)	1 191	(2 386)
– Discontinued operations	**845**	1 635	–	1 635	(12)	–	(12)
Cash flows from financing activities	**(201)**	(40)	–	(40)	(678)	–	(678)
– Continuing operations	**(201)**	(40)	–	(40)	(678)	–	(678)
– Discontinued operations	**–**	–	–	–	–	–	–
Net increase/(decrease) in cash and cash equivalents	**948**	(7 372)	708	(8 080)	(8 929)	(4 002)	(4 927)
Cash and cash equivalents at beginning of period	**(42 751)**	(33 822)	(4 772)	(29 050)	(33 822)	(4 772)	(29 050)
Cash and cash equivalents at end of period	**(41 803)**	(41 194)	(4 064)	(37 130)	(42 751)	(8 774)	(33 977)

COMMENTARY

Profile

Primeserv Group Limited is an investment holding company focusing on the delivery of 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 as Primeserv HR Solutions; and Human Capital Outsourcing operating as Primeserv Outsourcing.

These divisions provide a comprehensive HR value chain that can be applied through Primeserv's Int**HR**grate™ 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, as well as resourcing and flexible staffing services, supported by wage bureaus and HR logistics outsourcing operations.

Operating environment

The national economy remains vulnerable to both internal and external factors with the growth rate remaining sluggish and unemployment at very high levels.

Overview of results

As a consequence of the adoption of IFRS10: Consolidated Financial Statements, the results of Bathusi Staffing Services Proprietary Limited ("Bathusi"), previously accounted for as an associate company, have now been incorporated into the financial statements as a subsidiary company. The commentary presented below deals with Bathusi in terms of the new standard.

The results for the six-month period under review show a return to overall profitability from the prior year loss of R4,3 million.

Total revenue for the six months has decreased by 10% from R359,8 million to R322,9 million primarily due to the reduction in revenue attributable to the discontinued operation. Revenue attributable to continuing operations decreased by 6% from R341,1 million to R321,5 million. The gross profit from continuing operations has increased by 10% from R46,9 million to R51,4 million with the overall gross profit percentage from continuing operations increasing from 13,7% to 16,0%. This improvement is a consequence of improved trading with higher margin clients and the reduction in volume of some lower margin business which had benefited the revenue line whilst delivering less than optimal returns.

EBITDA has increased by 11% from R6,9 million to R7,7 million with EBITDA from continuing operations improving by 37% from R7,1 million to R9,7 million. The EBITDA loss pertaining to the discontinued Colleges unit has increased over that of the comparable six-month period from a loss of R0,1 million to a loss of R2,0 million. The loss of R2,0 million relating to the final month of trading and discontinuance of the business must be seen in the context of the prior year loss of R9,0 million for the full financial year. The overall operating profit has increased by 18% from R5,5 million to R6,5 million with that from continuing operations improving by 42% from R6,0 million to R8,5 million. The net interest cost has reduced from a net cost of R2,7 million to a net cost of R2,5 million. Profit before tax has increased by 46% from R2,7 million to R4,0 million. Profit before tax from continuing operations has increased by 52% from R3,9 million to R6,0 million. Total comprehensive income attributable to shareholders of the Company has decreased from R4,3 million to R3,7 million. Earnings per share and headline earnings per share have decreased by 16% from 4,63 cents per share to 3,90 cents per share with earnings per share and headline earnings per share from continuing operations increasing by 9% from 5,56 cents per share to 6,04 cents per share.

Trade receivables have decreased from R113,9 million at the end of September 2012 to R100,8 million at the end of September 2013. The average days sales outstanding ("DSO") has improved from 55 days to 52 days for the period under review. Trade payables have decreased by R10,6 million from R44,6 million to R34,0 million. Cash flow from operations improved by R1,2 million from R4,0 million to R5,2 million, while cash invested in working capital improved from an outflow of R10,3 million for the comparable period to an outflow of R4,9 million in the current review period. Cash and cash equivalents turned around from an outflow of R7,4 million for the 6 months ended September 2012, to cash generated of R0,9 million for the current period.

Human Capital Outsourcing

Trading in the division was positive albeit that revenue decreased by 6% from R326,9 million to R306,0 million as a consequence of a change in client mix and the impact of industrial action in the motor industry over the course of August and September. Operating profit for the segment showed an improvement over the prior period. The DSO has improved from 54 days at the end of September 2012, to 49 days at the end of the current reporting period. Gross profit and profitability improved with certain low margin business reducing and being substituted with higher margin business. The trading across the blue collar unit was positive. The white collar unit delivered stable revenues in what remained a sluggish operating environment.

The amendments to the Labour Relations Act in regard to Temporary Employment Service providers have been passed by the National Council of Provinces. It is therefore anticipated that the amendments will become law in 2014. Aside from an increased administrative burden, the amendments are not expected to have a material impact on the Group's HR business. Direct employment is increasingly pressured due to ongoing weak economic conditions, resulting in a lack of new job opportunities, excessive wage demands and industrial action. These factors tend to favour the flexible labour solutions and integrated HR services offered by established and compliant providers such as Primeserv.

Human Capital Development

Revenue from continuing operations improved by 9% from R14,2 million to R15,4 million. The overall revenue values are not directly comparable due to the results of the discontinued Colleges operation being included for the full 6 months in the prior reporting period compared with a single month in the current review period. The Group disposed of its investment in the Colleges business with effect from 1 May 2013 thereby mitigating the losses and future operational risk from this unit. Operating profit from continuing operations has decreased by 26% from R2,2 million to R1,6 million due to project revenues being deferred while certain costs have already been expensed. This division continues to provide both strategic and profit-generating benefits to the Group.

Events after the reporting date

Management is not aware of any material events which have occurred subsequent to the end of September 2013.

Basis of preparation

The results for the Group for the six months ended 30 September 2013 have been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards ("IFRS"), the presentation and disclosure requirements of IAS 34 (as revised): Interim Financial Reporting, the Companies Act of 2008, the JSE Listings Requirements and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee. Except as recorded below, the accounting policies are consistent with those described and applied in the annual financial statements for the year ended 31 March 2013. The results were prepared by the Group Financial Director, Mr R Sack CA (SA). The results have not been reviewed or audited by the Group's external auditors.

Adoption of new standard – IFRS 10: Consolidated financial statements

IFRS 10: Consolidated Financial Statements, was issued in August 2012 and replaces the guidance on control and consolidation in IAS 27: Consolidated and Separate Financial Statements, and SIC 12: Consolidation – Special Purpose Entities. The Group concluded a BBBEE transaction in January 2005 whereby Bathusi was deconsolidated and thereafter accounted for as an associate company, in which the Group held 45% of the equity with the balance held by a number of BBBEE shareholders. The Group has determined that while it did not have control over the Company in terms of the principles of IAS 27, it does have control over the entity in terms of IFRS 10 given that the Group is able to control the activities of the Company and to earn variable returns. Consequently, Bathusi has been consolidated in the financial results of the Group.

As required by IFRS 10, this change has been applied retrospectively and the comparative periods have been adjusted accordingly.

Dividend

No interim dividend is proposed for the period under review. The Group will consider the resumption of dividend payments at the close of its next reporting period.

Outlook

Ongoing focus on new sales and other growth and value enhancing opportunities should improve the Group's trading performance.

Any forward-looking statements contained herein have not been reviewed nor reported on by the Company's auditors.

On behalf of the Board

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

15 November 2013
Bryanston

("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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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*
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