

Unaudited results

FOR THE SIX MONTHS ENDED 30 JUNE 2008

("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 2008

	Unaudited 6 months ended 30 Jun 2008 R'000	Unaudited 6 months ended 30 Jun 2007 R'000	Audited 12 months ended 31 Dec 2007 R'000
Revenue	241 381	215 232	474 197
EBITDA	10 213	7 105	19 741
Depreciation	(995)	(850)	(1 829)
Operating profit	9 218	6 255	17 912
Interest received	1 894	205	2 190
Interest paid on borrowings	(2 226)	(932)	(2 620)
IFRS 3 Business combination charge	(148)	(143)	(382)
Share of profit from associate company	39	45	80
Profit before taxation	8 777	5 430	17 180
Taxation	(1 066)	(1 114)	(3 350)
Profit for the period	7 711	4 316	13 830
<i>Attributable to:</i>			
Ordinary shareholders	7 711	4 316	13 830
Minority shareholders	-	-	-
Attributable profit	7 711	4 316	13 830
Reconciliation of headline earnings			
Net profit attributable to shareholders	7 711	4 316	13 830
After-tax effect of profit on sale of fixed assets	-	(7)	(12)
Headline earnings	7 711	4 309	13 818
Weighted average number of shares ('000)	114 970	114 417	114 569
Diluted weighted average number of shares ('000)	116 633	115 905	117 162
Earnings per share (cents)	6,71	3,77	12,07
Diluted earnings per share (cents)	6,61	3,72	11,80
Headline earnings per share (cents)	6,71	3,77	12,06
Diluted headline earnings per share (cents)	6,61	3,72	11,79

Segmental Analysis

for the six months ended 30 June 2008

	Unaudited 6 months ended 30 Jun 2008 R'000	Unaudited 6 months ended 30 Jun 2007 R'000	Audited 12 months ended 31 Dec 2007 R'000
Revenue			
Human Capital Outsourcing	222 136	194 607	433 956
Human Capital Development	19 245	20 625	40 241
	241 381	215 232	474 197
Operating profit			
Human Capital Outsourcing	14 391	9 250	23 787
Human Capital Development	1 580	2 959	5 070
Central Services	(6 753)	(5 954)	(10 945)
	9 218	6 255	17 912

Revenue	▲	12%
EBITDA	▲	44%
Operating Profit	▲	47%
HEPS	▲	78%

Cash Flow Statement

for the six months ended 30 June 2008

	Unaudited 6 months ended 30 Jun 2008 R'000	Unaudited 6 months ended 30 Jun 2007 R'000	Audited 12 months ended 31 Dec 2007 R'000
Cash flows from operating activities	1 270	558	(3 776)
Cash flows from investing activities	(2 678)	(1 009)	(175)
Cash flows from acquisition of business	-	(790)	-
Cash flows applied as working capital to Staff Dynamix	-	(2 083)	-
Cash flows from financing activities	(1 632)	451	(5 723)
Net decrease in cash and cash equivalents	(3 040)	(2 873)	(9 674)
Cash and cash equivalents at beginning of period	(8 163)	1 511	1 511
Cash and cash equivalents at end of period	(11 203)	(1 362)	(8 163)

Balance Sheet

as at 30 June 2008

	Unaudited 30 Jun 2008 R'000	Unaudited 30 Jun 2007 R'000	Audited 31 Dec 2007 R'000
ASSETS			
Non-current assets	24 643	24 152	21 826
Equipment and vehicles	4 183	4 594	4 639
Goodwill	7 127	5 473	7 127
Intangible assets	576	576	576
Investment and loan in associate	5 322	4 206	3 183
Deferred tax asset	7 435	9 303	6 301
Current assets	113 130	89 566	103 756
Inventories	1 085	1 485	1 137
Trade receivables	78 857	60 021	76 755
Other receivables	2 566	1 967	2 485
Taxation receivable	-	101	208
Cash and cash equivalents	30 622	25 992	23 171
Total assets	137 773	113 718	125 582
EQUITY AND LIABILITIES			
Equity	60 810	47 384	55 846
Capital and reserves	60 749	47 323	55 785
Minority interest	61	61	61
Non-current liabilities	526	83	680
Current liabilities	76 437	66 251	69 056
Trade and other payables	32 689	32 160	36 904
Current portion of financial liabilities	422	5 860	572
Taxation	1 595	1 264	-
Short-term vendor obligation	328	-	818
Bank borrowings	41 403	26 967	30 762
Total equity and liabilities	137 773	113 718	125 582
Number of shares in issue at end of period ('000)	113 784	115 499	114 889
Net asset value per share (cents)	53	41	49

Statement of Changes in Equity

for the six months ended 30 June 2008

	Unaudited 6 months ended 30 Jun 2008 R'000	Unaudited 6 months ended 30 Jun 2007 R'000	Audited 12 months ended 31 Dec 2007 R'000
Balance at beginning of the period	55 846	43 592	43 592
Share trust movement	(989)	136	(396)
Share-based payment reserve	58	-	55
Net profit attributable to shareholders	7 711	4 316	13 830
Dividend paid	(1 816)	(660)	(1 235)
Balance at end of the period	60 810	47 384	55 846

Commentary

Profile

Primeserv Group Limited is an investment holding company listed in the Industrial Goods and Services, Business Training and Employment Agencies sector of the JSE.

The Group focuses 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 complementary divisions provide an integrated HR value chain that can be applied in its entirety or in modular form. These divisions encompass a comprehensive range of HR consulting solutions and services, corporate and vocational training programmes, technical skills training, computer training colleges, as well as resourcing and flexible staffing services, complemented by wage bureaus and HR logistics outsourcing operations.

Overview

Consolidated Group operations have continued to improve their period-on-period performance with revenue growing by 12% from R215,2 million for the six months ended 30 June 2007 to R241,4 million for the current review period. Group EBITDA increased by 44% from R7,1 million to R10,2 million, whilst operating profit increased by 47% from R6,3 million to R9,2 million. Comparable Group operating margin increased from 2,9% to 3,8%. Profit before tax increased by 62% from R5,4 million to R8,8 million, resulting in headline earnings per share increasing by 78% from 3,77 cents per share to 6,71 cents per share.

The balance sheet remains strong although working capital invested in trade receivables is higher than optimal, particularly in the prevailing high interest rate environment. Trade receivables increased from R60 million to R78,9 million, partly attributable to the Staff Dynamix acquisition. This investment in working capital has resulted in a higher level of borrowings. The Group is strongly focused on improved working capital management. Net asset value has increased by 29% to 53 cents per share (30 June 2007: 41 cents per share).

The Outsourcing division, specialising in flexible staffing solutions to business and heavy industry, increased revenue by 14% from R194,6 million to R222,1 million, with its operating profit increasing by 56% from R9,3 million to R14,4 million. The logistics, warehousing, construction and industrial flexible staffing units performed satisfactorily. The professional draughting and engineering staffing unit remained constrained by the on-going skills shortage. The division's mega-project wage bureau unit improved its period-on-period performance.

The Human Capital Development segment comprising the HR Solutions division's HR Consulting, Technical Training and Computer Training Colleges units delivered a mixed set of results. The Computer Training Colleges unit experienced a very difficult first six months due to lower than anticipated learner registrations, primarily as a consequence of the opportunity (afforded at the outset of 2008 by the Department of Education) to learners to re-write their matric examinations. Learner numbers have been further dampened by economic pressures. The Computer Training Colleges unit will remain under pressure for the balance of the year. Conversely the HR Consulting and Technical Training units improved their performance. They continue to provide key strategic value to the delivery of Primeserv's integrated HR Services model.

Post-balance Sheet Event

Subsequent to 30 June 2008, the Group acquired the white-collar professional contract staffing business, Denverdraft, subject to the fulfilment of conditions precedent. The acquisition is of both strategic and commercial value and allows the Group to better address the continuing dearth of skills in this market segment.

Broad-Based Black Economic Empowerment (B-BBEE)

Primeserv's ongoing commitment to the B-BBEE process has led to it recently being awarded an upgrade in its empowerment rating from a Level 4 to a Level 3 B-BBEE value-added supplier.

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"), IAS 34 – Interim Financial Reporting and JSE Listings Requirements.

On behalf of the board

JM Judin
Non-Executive Chairman

M Abel
Chief Executive Officer

10 September 2008
Bryanston

Dividend Declaration

Notice is hereby given that Primeserv has declared an interim dividend (dividend declaration number 7) for the six months ended 30 June 2008 of 1 cent per ordinary share.

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

Last day to trade "CUM" dividend	Friday, 3 October 2008
First day to trade "EX" dividend	Monday, 6 October 2008
Record date	Friday, 10 October 2008
Payment date	Monday, 13 October 2008

No share certificates may be dematerialised or rematerialised between Monday, 6 October 2008 and Friday, 10 October 2008, 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: GB Mons

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

Transfer secretaries: Computershare Investor Services (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 2196

