

Unaudited results

FOR THE SIX MONTHS ENDED 30 JUNE 2009

("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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Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2009

	Unaudited 6 months ended 30 Jun 2009 R'000	Unaudited 6 months ended 30 Jun 2008 R'000	Audited 12 months ended 31 Dec 2008 R'000
Revenue ⁽¹⁾	255 375	241 381	539 878
EBITDA	7 415	10 213	23 638
Depreciation	(827)	(995)	(1 866)
Operating profit	6 588	9 218	21 772
Interest received	1 878	1 894	3 691
Interest paid	(2 801)	(2 374)	(4 552)
Interest paid on borrowings	(2 779)	(2 226)	(4 300)
IFRS 3 – Business Combination charge	(22)	(148)	(252)
Share of profits from associate	–	39	97
Profit before taxation	5 665	8 777	21 008
Taxation	(878)	(1 066)	(3 154)
Profit for the period	4 787	7 711	17 854
<i>Attributable to:</i>			
Equity shareholders of the Company	4 787	7 711	17 507
Minority shareholders' interest	–	–	347
Comprehensive income for the period attributable to equity holders	4 787	7 711	17 854
Reconciliation of headline earnings			
Net profit attributable to shareholders	4 787	7 711	17 507
After-tax effect of profit on sale of fixed assets	(4)	–	83
Headline earnings	4 783	7 711	17 590
Weighted average number of shares ('000)	110 702	114 970	114 134
Diluted weighted average number of shares ('000)	111 023	116 633	116 950
Earnings per share (cents)	4,32	6,71	15,34
Diluted earnings per share (cents)	4,31	6,61	14,97
Headline earnings per share (cents)	4,32	6,71	15,41
Diluted headline earnings per share (cents)	4,31	6,61	15,04

⁽¹⁾ **Revenue note:** Excludes revenue of R22,3 million (June 2008: R22,8 million) from Bathusi Staffing Services (Proprietary) Limited, which was deconsolidated as a result of a B-BBEE transaction and has since been accounted for as an associate.

Segmental Analysis

for the six months ended 30 June 2009

	Unaudited 6 months ended 30 Jun 2009 R'000	Unaudited 6 months ended 30 Jun 2008 R'000	Audited 12 months ended 31 Dec 2008 R'000
Revenue			
Human Capital Outsourcing	231 553	222 136	501 715
Human Capital Development	23 822	19 245	38 163
	255 375	241 381	539 878
Operating profit/(loss)			
Human Capital Outsourcing	7 245	14 391	27 758
Human Capital Development	4 180	1 580	2 710
Central Services	(4 837)	(6 753)	(8 696)
	6 588	9 218	21 772

Consolidated Condensed Statement of Cash Flows

for the six months ended 30 June 2009

	Unaudited 6 months ended 30 Jun 2009 R'000	Unaudited 6 months ended 30 Jun 2008 R'000	Audited 12 months ended 31 Dec 2008 R'000
Cash flows from operating activities	13 331	1 270	30
Cash flows from investing activities	(5 791)	(2 678)	(9 860)
Cash flows from financing activities	(99)	(1 632)	(1 531)
Net increase/(decrease) in cash and cash equivalents	7 441	(3 040)	(11 361)
Cash and cash equivalents at beginning of period	(18 952)	(8 163)	(7 591)
Cash and cash equivalents at end of period	(11 511)	(11 203)	(18 952)

Consolidated Statement of Financial Position

as at 30 June 2009

	Unaudited 30 Jun 2009 R'000	Unaudited 30 Jun 2008 R'000	Audited 31 Dec 2008 R'000
ASSETS			
Non-current assets	29 659	24 643	25 322
Equipment and vehicles	4 832	4 183	4 416
Goodwill	9 605	7 127	9 605
Intangible assets	659	576	676
Investments and loan in associate	5 985	5 322	2 673
Long-term receivables	3 765	–	3 602
Deferred tax asset	4 813	7 435	4 350
Current assets	114 809	113 130	113 076
Inventories	600	1 085	863
Trade receivables	88 777	78 857	91 980
Other receivables	1 414	2 566	3 609
Taxation receivable	–	–	264
Cash and cash equivalents	24 018	30 622	16 360
Total assets	144 468	137 773	138 398
EQUITY AND LIABILITIES			
Equity	70 004	60 810	68 093
Capital and reserves	69 596	60 749	67 685
Minority interest	408	61	408
Non-current liabilities	264	526	363
Current liabilities	74 200	76 437	69 942
Trade and other payables	37 281	32 689	33 954
Current portion of financial liabilities	176	422	176
Taxation payable	714	1 595	–
Short-term vendor obligation	500	328	500
Bank borrowings	35 529	41 403	35 312
Total equity and liabilities	144 468	137 773	138 398
Number of shares in issue at end of period ('000)	109 192	113 784	110 809
Net asset value per share (cents)	64	53	61

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2009

	Unaudited 6 months ended 30 Jun 2009 R'000	Unaudited 6 months ended 30 Jun 2008 R'000	Audited 12 months ended 31 Dec 2008 R'000
Balance at beginning of the period	68 093	55 846	55 846
Share trust movement	(706)	(989)	(2 988)
Minority shareholders' interest	–	–	347
Share-based payment reserve	39	58	250
Net profit attributable to shareholders	4 787	7 711	17 507
Dividend paid	(2 209)	(1 816)	(2 869)
Balance at end of the period	70 004	60 810	68 093

Commentary

Profile

Primeserv Group Limited is an investment holding company which focuses on delivering human resources (HR) products, services and solutions. The two main areas of specialisation are Human Capital Development and Human Capital Outsourcing. The Group's offering comprises HR consulting solutions and services, corporate and vocational training programmes, technical skills training centres, computer training colleges, as well as resourcing and flexible staffing services, supported by wage bureaus and HR logistics outsourcing operations. This comprehensive HR value chain can be applied through Primeserv's IntHRgate™ Model in its entirety or in modular form.

Overview

Impacted by the global economic slowdown, there was a significant contraction in GDP attributable to the mining, agriculture, manufacturing and services sectors of the national economy during the review period. Overall consumer confidence remains low, despite aggressive interest rate cuts by the South African Reserve Bank, and inflation continues to exceed its mandated targets. Continual high levels of industrial action across various sectors further aggravated the slowdown in the economy, and impacted negatively on business confidence. In the light of these conditions, businesses have adopted a conservative and inward focused strategy resulting in the postponement and shelving of capital projects, cutting of budgets in regard to discretionary expenditure such as training, new employment and non-essential maintenance. These factors, coupled with lower consumer spending and the resultant shrinking of the retail sector, have impacted negatively on the business of the Group.

Against this background, when compared to the comparable six-month period, ended 30 June 2008, Group EBITDA has fallen by 27% from R10,2 million to R7,4 million with operating profit down by 28% from R9,2 million to R6,6 million. Profit after tax showed a decline of 38% from R7,7 million to R4,8 million resulting in headline earnings per share of 4,32 cents per share compared to 6,71 cents per share for the comparable period. Counter to the above trend and primarily due to the acquisition of the lower-margin Denverdraft business, consolidated Group revenue has increased by 5,8% from R241,4 million to R255,4 million.

The balance sheet has continued to strengthen, particularly as a result of improved working capital management. Cash flows from operating activities improved from R1,3 million in the prior comparable period to R13,3 million during the current review period. The overall cash position after cash flows from investing and financing activities has improved by R10,5 million from an outflow of R3,0 million to an inflow of R7,4 million. The Group closed the period with cash resources of R24 million on hand. Net asset value has improved by 20% from 53 cents per share to 64 cents per share.

The Outsourcing division delivered an operating profit of R7,2 million for the review period. The logistics, warehousing, construction and industrial flexible staffing units experienced difficult trading conditions. Delays and cancellations in certain civil, municipal infrastructure and industrial capital projects also impacted the division's performance. The "white collar" professional draughting and engineering units have been particularly challenged by curtailed projects in the mining, engineering and petrochemical industries. The division's mega-project wage bureaus delivered a solid performance during the review period due to involvement in large scale ongoing infrastructure projects.

The Human Capital Development segment, comprising the HR Solutions division's HR Consulting and Technical Training units and the Computer Training Colleges division, improved its period-on-period performance, with operating profit increasing by 165% from R1,6 million to R4,2 million.

The HR Consulting unit maintained its growth trend and the Technical Training unit, a specialist provider of skills programmes that are in short-supply nationally, continued to improve its performance, although somewhat less than anticipated due to budgetary constraints at major industrial clients.

The Computer Training Colleges division showed an increase in learners registered compared with the prior year and delivered a strongly improved performance.

The Group remains focused on client retention, improving working capital management and cost containment. Measures have been taken to ensure that overhead structures are managed to match current and anticipated operational requirements.

Directorate

The Group has appointed Mr Raphael Sack as Financial Director to the Board with effect from 1 July 2009.

B-BBEE

Primeserv has maintained its Level 3 B-BBEE value added supplier rating. The Group improved its empowerment rating from number 55 to number 12 in the authoritative Financial Mail/Empowerdex 2009 survey. Ongoing commitment to further transformation remains a Group imperative.

Post-balance sheet events

Management is not aware of any material events which occurred subsequent to the period ended 30 June 2009. There has been no material change in the Group's contingent liabilities since the period-end.

Prospects

The Outsourcing division's exposure to the industrial and mining sectors, given the adverse economic environment together with the financial pressures on learners registered with the Colleges division and budgetary constraints affecting major clients in regard to discretionary consulting and training expenditure, indicate that difficult trading conditions are expected to continue for at least the next twelve to eighteen months. The Group is well positioned to benefit from improved trading conditions when they occur. Given its strong balance sheet, the Group will continue to seek further acquisitions.

Accounting policies

The results for the six months ended 30 June 2009 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, IAS 34 – Interim Financial Reporting, the South African Companies Act and the JSE Limited Listings Requirements.

On behalf of the Board

JM Judin	M Abel	14 August 2009
<i>Non-Executive Chairman</i>	<i>Chief Executive Officer</i>	Bryanston

Dividend declaration

Notice is hereby given that Primeserv has declared an interim dividend (dividend declaration number 9) for the six months ended 30 June 2009 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, 9 October 2009
First day to trade "EX" dividend	Monday, 12 October 2009
Record date	Friday, 16 October 2009
Payment date	Monday, 19 October 2009

No share certificates may be dematerialised or rematerialised between Monday, 12 October 2009 and Friday, 16 October 2009, both days inclusive.

Directors: JM Judin (Chairman)*, M Abel (Chief Executive Officer), Prof S Klein* (American), LM Maisela*, AT McMillan (British), DL Rose*, R Sack (Financial Director), DC Seaton* * 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) Limited, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107)

Auditors: PKF (Jhb) Inc., 42 Wierda Road West, Wierda Valley, Sandton, 2196 (PostNet Suite 200, Private Bag X30500, Houghton, 2041)

Sponsor: Deloitte & Touche Sponsor Services (Pty) Limited, The Woodlands, Woodlands Drive, Woodmead, 2196 (Private Bag X6, Gallo Manor, 2052)

