

# Reviewed interim results

FOR THE TWELVE MONTHS ENDED 30 JUNE 2006

("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



## Income Statement

for the year twelve months ended 30 June 2006

	Reviewed 12 months ended 30 June 2006 R '000	Audited 12 months ended 30 June 2005 R '000
<b>Revenue</b> <sup>(1)</sup>	<b>336 720</b>	374 641
<b>EBITDA</b>	<b>3 851</b>	3 665
Depreciation	(1 219)	(1 490)
Operating profit	2 632	2 175
Interest received	1 435	927
Interest paid	(1 031)	(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	13	44
Net profit before exceptional items	3 049	4 118
Exceptional items	538	(1 500)
Net profit before taxation	3 587	2 618
Taxation	(1 010)	716
Net profit after taxation	2 577	3 334
Minority shareholders' interest	(7)	(255)
Net profit attributable to shareholders	2 570	3 079
<b>Reconciliation of headline earnings</b>		
Net profit attributable to shareholders	2 570	3 079
After tax effect of profit on sale of fixed assets	(159)	(98)
Capital surplus on sale of business	–	(4 234)
Share of impairment of goodwill in associate	–	1 558
<b>Headline earnings</b>	<b>2 411</b>	305
Weighted average number of shares ('000)	114 846	115 766
Diluted number of shares ('000)	116 508	117 179
Earnings per share (cents)	2,24	2,66
Diluted earnings per share (cents)	2,21	2,63
Headline earnings per share (cents)	2,10	0,26
Diluted headline earnings per share (cents)	2,07	0,26

<sup>(1)</sup> **Revenue note:** Excluded from revenue is R43,4 million (2005: R24,7 million) as a result of the deconsolidation of Bathusi Staffing Services (Pty) Limited from 29 January 2005 and since accounted for as an associate. The excluded revenue in the twelve months as reported affected the Outsourcing division by R42,3 million (2005: R24,3 million) and the HR Solutions division by R1,1 million (2005: R0,4 million).

## Cash Flow Statement

for the twelve months ended 30 June 2006

	Reviewed 12 months ended 30 June 2006 R '000	Audited 12 months ended 30 June 2005 R '000
Cash flows from operating activities	1 921	6 434
Cash flows from investing activities	(419)	(7)
Cash flows from financing activities	62	(369)
Net increase in cash and cash equivalents	1 564	6 058
Cash and cash equivalents at beginning of period	4 865	(1 193)
<b>Cash and cash equivalents at end of period</b>	<b>6 429</b>	4 865

## Balance Sheet

as at 30 June 2006

	Reviewed 30 June 2006 R '000	Audited 30 June 2005 R '000
<b>ASSETS</b>		
<b>Non-current assets</b>	<b>19 318</b>	19 042
Equipment and vehicles	2 435	2 412
Intangibles	576	576
Investment and loan in associate	6 938	5 247
Long-term receivables	–	770
Deferred tax asset	9 369	10 037
<b>Current assets</b>	<b>49 356</b>	47 346
Inventories	714	979
Trade receivables	34 443	32 419
Other receivables	2 722	2 170
Taxation receivable	173	173
Bank balances and cash	11 304	11 605
<b>Total assets</b>	<b>68 674</b>	66 388
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	<b>41 831</b>	39 397
Capital and reserves	41 763	39 336
Minority shareholders' interest	68	61
<b>Non-current liabilities</b>	<b>444</b>	382
<b>Current liabilities</b>	<b>26 399</b>	26 609
Trade and other payables	21 292	19 818
Short-term interest-bearing borrowings	386	190
Taxation	232	51
Bank borrowings	4 489	6 550
<b>Total equity and liabilities</b>	<b>68 674</b>	66 388
Number of shares in issue at end of period ('000)	114 417	114 859
Net asset value per share (cents)	37	34

## Statement of Changes in Equity

for the twelve months ended 30 June 2006

	Reviewed 12 months ended 30 June 2006 R '000	Audited 12 months ended 30 June 2005 R '000
Balance at beginning of the period	39 336	36 627
Minority shareholders' interest – opening balance	61	6
Purchase of shares by share trust (143)	(143)	(374)
Net profit for the period	2 570	3 079
Issue of shares from share trust	–	4
Minority shareholders' interest for the period	7	255
Deconsolidation of minority shareholders interest in subsidiary when it became an associate	–	(200)
<b>Balance at end of the period</b>	<b>41 831</b>	39 397

## Segmental Analysis

for the twelve months ended 30 June 2006

	Reviewed 12 months ended 30 June 2006 R '000	Audited 12 months ended 30 June 2005 R '000
<b>Revenue</b>		
Outsourcing <sup>(1)</sup>	301 206	334 452
Computer Training Colleges	19 845	21 297
HR Solutions <sup>(1)</sup>	15 669	18 892
	<b>336 720</b>	374 641
<b>Operating profit/(loss)</b>		
Outsourcing	5 571	10 733
Computer Training Colleges	4 106	3 931
HR Solutions	(3 780)	(9 273)
Central Services	(3 265)	(3 216)
	<b>2 632</b>	2 175

## Commentary

### Profile

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

### Overview

The Group's results are for the twelve months ended 30 June 2006. In order to align its reporting with its business cycle and operational requirements, Primeserv has changed its year-end from 30 June to 31 December, consequently these results are reviewed interim results and audited results for the eighteen months ending 31 December 2006 will follow in due course. The reviewed results for the twelve months ended 30 June 2006 indicate that the Group's profitability and performance continue to improve.

### Financial Review

The Group recorded an operating profit of R2,6 million, an increase of 21% from the R2,2 million for the comparable period. Net profit before tax increased 37% to R3,6 million. Group revenue was R336,7 million, (this excludes Bathusi Staffing Services (Pty) Limited ("Bathusi"), the Group's BBBEE associate company, see revenue note (1) to the income statement).

Headline earnings improved by 691% to R2,4 million compared to the previous twelve-month period. The Group recorded headline earnings per share of 2,10 cents, an increase of 708% over the 0,26 cents per share for the comparable period. Earnings per share decreased 16% to 2,24 cents (2005: 2,66 cents per share) due to the inclusion in the previous period of the profit on sale of the Outsourcing division's Secunda branch to Bathusi, which had a positive impact during that period of 2,4 cents on the earnings per share reported.

The Group continued to generate positive cash flow, resulting in a net cash position of R6,4 million, up 32% from the R4,9 million for the comparable period. Net interest received of R0,4 million was recorded, compared to net interest paid of R0,8 million for the previous period.

The Group's balance sheet once again strengthened. Debtors' days remained steady at 30 days. The Group was in a net ungeared position at 30 June 2006. Net asset value per share increased by 9% to 37 cents per share.

As previously reported, the exceptional item of R0,5 million relates to a recovery of proceeds due on the disposal of an operation, which was previously impaired.

### Operational Review

The Outsourcing division, the Group's largest business unit, specialising in flexible staffing solutions to business and heavy industry, generated revenue of R301,2 million excluding R42,3 million of revenue attributable to Bathusi (2005: R334,5 million excluding R24,3 million of revenue attributable to Bathusi). Consequently, total revenue for the division was lower by 4%. Revenue for the division did not meet expectations for the twelve months due to continued delays in the start-up of budgeted large projects and maintenance shutdowns that were expected during the period. The shortage of skills, particularly in construction, engineering, and petrochemical services, has hindered revenue growth.

As anticipated in the report on the six month results to December 2005, the division produced weaker than expected results for the twelve months ended 30 June 2006. The impact of lower revenue coupled with investment in systems and processes without the expected benefits during the period hampered the division's performance. Corrective action has been taken to address this revenue shortfall. The logistics, warehousing and industrial flexible staffing unit performed solidly and its national footprint continues to grow. The white collar professional staffing unit had a good twelve months but remains pressured by a lack of available skills.

The division remains focused on revenue growth, margin improvement and working capital management, and is seeking opportunities to scale up its size through organic and acquisitive activities.

The Computer Training Colleges division delivered a good performance for the twelve months, recording an operating profit up 5% to R4,1 million. The operation produced strong cash flows for the period. Continued investment in courseware, equipment and facilities was made during the twelve months. Revenue of R19,9 million was down slightly, due to the effect of a once-off corporate training contract included in the results of the prior period. College learner numbers increased year-on-year. Further investment is planned for the upgrading of facilities and the opening of new colleges.

The strategic human capital HR Solutions division, comprising the Technical and Corporate Training units and the HR Consulting operation, continued to reduce its losses in line with expectations. A substantially lower loss of R3,8 million was reported for the twelve months compared to the R9,3 million loss reported for the comparable period. The division remains of strategic importance in enhancing the delivery of the Group's integrated HR services offering.

### Prospects

Barring a material change in economic conditions, the Group anticipates an improved performance.

### 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, 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.

### 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

<b>JM Judin</b> Chairman	<b>M Abel</b> Chief Executive Officer	<b>R Sack</b> Chief Financial Officer	20 September 2006 Bryanston
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### Dividend Declaration

Notice is hereby given that Primeserv has declared an interim dividend (dividend declaration number 3) for the twelve months ended 30 June 2006 of 1 cent per ordinary share.

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

Last day to trade "CUM" dividend	Friday, 6 October 2006
First day to trade "EX" dividend	Monday, 9 October 2006
Record date	Friday, 13 October 2006
Payment date	Monday, 16 October 2006

No share certificates may be dematerialised or rematerialised between Monday, 9 October 2006 and Friday, 13 October 2006, both days inclusive.

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

**Registered address:** Venture House, 54 Peter Place Park, 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