



PRIMESERV GROUP LIMITED
UNAUDITED INTERIM FINANCIAL RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

	Unaudited six months to 30 September 2015 R'000	Unaudited six months to 30 September 2014 R'000	Audited year to 31 March 2015 R'000
Revenue	287 632	329 160	650 960
Cost of sales	(236 782)	(281 249)	(541 641)
Gross profit	50 850	47 911	109 319
EBITDA	9 382	6 527	13 701
Depreciation and amortisation	(1 071)	(1 319)	(2 110)
Operating profit	8 311	5 208	11 591
Interest received	118	171	272
Interest paid	(2 222)	(2 881)	(4 862)
Profit before taxation	6 207	2 498	7 001
Taxation	(474)	317	4 134
Total comprehensive income	5 733	2 815	11 135
<i>Total comprehensive income attributable to:</i>			
Ordinary shareholders of the Company	6 032	4 016	11 923
Non-controlling shareholders' interest – share of loss	(299)	(1 201)	(788)
Total comprehensive income	5 733	2 815	11 135
Reconciliation of headline earnings			
Net profit attributable to shareholders	6 032	4 016	11 923
Headline earnings	6 032	4 016	11 923
Weighted average number of shares ('000)	93 682	93 682	93 682
Diluted weighted average number of shares ('000)	93 682	93 682	93 682
Earnings per share and diluted earnings per share (cents)	6,44	4,29	12,73
Headline earnings and diluted headline earnings per share (cents)	6,44	4,29	12,73

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2015

		Unaudited 30 September 2015 R'000	Unaudited 30 September 2014 R'000	Audited 31 March 2015 R'000
ASSETS				
Non-current assets		44 584	48 908	47 788
Equipment and vehicles		3 498	3 814	3 534
Investment property		7 645	7 645	7 645
Goodwill		18 170	18 170	18 170
Intangible assets		967	1 751	1 360
Long-term receivables		498	5 940	3 048
Deferred tax asset		13 806	11 588	14 031
Current assets		94 584	108 768	92 485
Inventories		117	222	119
Trade receivables		76 457	100 151	85 218
Other receivables		9 520	7 207	5 836
Taxation receivable		224	–	–
Cash and cash equivalents		8 266	1 188	1 312
Total assets		139 168	157 676	140 273
EQUITY AND LIABILITIES				
Equity		86 683	73 557	81 877
Capital and reserves		94 337	81 325	89 232
Non-controlling interest		(7 654)	(7 768)	(7 355)
Non-current liabilities				
Financial liabilities		90	–	110
Current liabilities		52 395	84 119	58 286
Trade and other payables		11 900	25 571	15 759
Financial liabilities		36	–	32
Dividend payable		927	–	–
Taxation payable		–	2 317	289
Bank borrowings		39 532	56 231	42 206
Total equity and liabilities		139 168	157 676	140 273
Number of shares in issue at end of year (net of treasury shares)	('000)	92 742	93 682	93 682
Net asset value per share	(cents)	102	87	95

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

	Unaudited six months to 30 September 2015 R'000	Unaudited six months to 30 September 2014 R'000	Audited year to 31 March 2015 R'000
Balance at beginning of period	81 877	70 742	70 742
Attributable earnings	6 032	4 016	11 923
Dividend declared	(927)	—	—
Non-controlling shareholders' interest	(299)	(1 201)	(788)
Balance at end of period	86 683	73 557	81 877

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

	Unaudited six months to 30 September 2015 R'000	Unaudited six months to 30 September 2014 R'000	Audited year to 31 March 2015 R'000
Profit before taxation	6 207	2 498	7 001
Adjustment for non-cash items	3 621	1 319	6 029
Operating cash flows before working capital changes, including interest	9 828	3 817	13 030
Net working capital changes	1 220	(11 290)	(4 564)
Taxation paid	(762)	(63)	(718)
Cash flows from operating activities	10 286	(7 536)	7 748
Cash flows from investing activities	(642)	473	(804)
Cash flows from financing activities	(16)	—	142
Net increase/(decrease) in cash and cash equivalents	9 628	(7 063)	7 086
Cash and cash equivalents at beginning of period	(40 894)	(47 980)	(47 980)
Cash and cash equivalents at end of period	(31 266)	(55 043)	(40 894)

SEGMENTAL ANALYSIS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

	Unaudited six months to 30 September 2015 R'000	Unaudited six months to 30 September 2014 R'000	Audited year to 31 March 2015 R'000
Revenue from external customers			
Staffing and Recruitment Services	266 179	308 022	612 275
Training and Consulting Services	21 453	21 138	38 685
Total	287 632	329 160	650 960
Revenue – inter-segment			
Staffing and Recruitment Services	–	–	–
Training and Consulting Services	104	196	116
Total	104	196	116
Business segment operating profit results			
Staffing and Recruitment Services	14 826	10 505	27 690
Training and Consulting Services	2 129	1 869	1 007
Central Services	(8 644)	(7 166)	(17 106)
Operating profit	8 311	5 208	11 591
Interest received	118	171	272
Interest paid	(2 222)	(2 881)	(4 862)
Profit before taxation	6 207	2 498	7 001
Business segment EBITDA			
Staffing and Recruitment Services	15 521	11 456	29 180
Training and Consulting Services	2 311	2 106	1 443
Central Services	(8 450)	(7 035)	(16 922)
Total	9 382	6 527	13 701
Business segment total assets			
Staffing and Recruitment Services	102 133	124 023	107 875
Training and Consulting Services	21 340	26 902	20 728
Central Services	15 695	6 751	11 670
Total	139 168	157 676	140 273

NOTES

1. BASIS OF PREPARATION

The condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standard, (IAS) 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and the requirements of the Companies Act of South Africa. The accounting policies applied in the preparation of these interim financial statements are in terms of International Financial Reporting Standards and are consistent with those applied in the previous annual financial statements. 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.

2. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Financial asset	Level	Unaudited 30 September 2015 R'000	Unaudited 30 September 2014 R'000	Audited 31 March 2015 R'000
Investment properties				
Valuations for the properties were obtained at the end of March 2015 which indicated no changes in the fair value. There have been no indicators of any changes in the fair values during the period under review	2	7 645	7 645	7 645
Long-term receivables				
The fair value of loans are estimated using estimated cash flow forecasts. The fair value of the loans reduced by R2 550 000 during the period	3	498	5 940	3 048
Cash and cash equivalents	1	8 266	1 188	1 312

3. WEIGHTED AVERAGE NUMBER OF SHARES

940 000 shares were purchased by the Primeserv Group Limited Share Trust on 30 September 2015 and consequently had no effect on the weighted average number of shares in issue for the period.

4. DIVIDEND

No interim dividend is proposed for the period under review. The final dividend in respect of the financial year ended 31 March 2015 was paid to shareholders on 12 October 2015.

5. EVENTS AFTER THE REPORTING DATE

Management is not aware of any material events which have occurred subsequent to the end of September 2015.

COMMENTARY

Primeserv focuses on delivering market leading business support services to organisations throughout Southern Africa. The Group's specialised products, services and solutions are delivered through its operating pillar Primeserv Human Capital Services. This incorporates two main areas of specialisation: namely Staffing & Recruitment Services, and Training & Consulting Services.

The six month period ended 30 September 2015 was characterised by weak economic activity across most business sectors as well as the implementation of the long-awaited amendments to South Africa's labour legislation. The impact of this tough trading environment was exacerbated by the initial negative reaction from some industry specific clients to the new labour laws, resulting in reduced volumes across the flexible staffing component of the Group's operations.

Notwithstanding this, Primeserv delivered an improved period-on-period set of results. Both earnings and headline earnings per share increased by 50% from 4,29 cents per share to 6,44 cents per share for the period under review. As indicated earlier this year when announcing the Group's results for the year ended 31 March 2015, lower volumes were anticipated in certain sectors of the Group's Temporary Employment Services ("TES") operating units, primarily due to the uncertainty emanating from the introduction of the new labour legislation.

Through a process of in-depth client consultation and workplace management forums, aligned to the Group's overriding commitment to ensuring a clear understanding of and compliance with the new labour legislation (especially given the recent Labour Court decision that clarified the employment relationship between the TES, client and contractor), volumes are expected to increase and then stabilise, albeit possibly at lower levels than previously experienced.

As a precursor to anticipated lower volumes, management implemented key rightsizing initiatives and adjusted infrastructure costs so as to partially offset the impact of lower sales on the Group's overall profitability.

Attention has been focussed on improving gross operating margins through contract specific margin management. This, combined with a programme of staff skills' assessment and training, youth development and deployment in line with Government's aim to increase employment, as well as ongoing productivity enhancement initiatives, has realised better gross operating margins. Underperforming TES contracts were re-evaluated and some brought to a close, whilst at the same time investment has been made in developing an expanded sales force to drive future growth.

EBITDA for the six months increased by 44% from R6,5 million to R9,4 million, with operating profit increasing by 60% from R5,2 million to R8,3 million. Total comprehensive income attributable to ordinary shareholders of the Company increased by 50% from R4,0 million to R6,0 million for the review period.

The constant attention given to optimising working capital management resulted in improved cash conversion. Trade receivables decreased from R100,2 million to R76,5 million at the end of the reporting period. The average days sales outstanding ("DSO") has improved from 49 days to 43 days for the period under review. Cash flows from operating activities improved strongly by R17,8 million from a net outflow of R7,5 million in the comparable period to a net inflow of R10,3 million during the period under review. Cash and cash equivalents recorded a net inflow of R9,6 million for the six months ended 30 September 2015 compared to an outflow of R7,1 million for the comparable period. As a consequence overall gearing has improved from 68% at the end of September 2014 to 33% at the end of September 2015. Over the comparative period the Group's net asset value per share has increased by 17% to 102 cents per share.

As referred to earlier, volumes, and hence revenue, were negatively impacted in the Staffing & Recruitment Services segment of the Group. However, management's proactive and constructive approach to dealing with the impact of the new labour legislation, ensuring full compliance capability, and the effective implementation of current legislation and workplace productivity programmes, allied to stringent cost alignment initiatives resulted in an improvement of the segment's operating profit by 41% from R10,5 million to R14,8 million. EBITDA increased by 35% from R11,5 million to R15,5 million. DSO improved from 47 days at the end of September 2014 to 40 days at the end of the current reporting period.

The blue collar flexible staffing business, which specialises in servicing the logistics, warehousing and distribution market, as well as the wholesale and retail, and industrial manufacturing, engineering and construction sectors delivered a muted performance. Weak trading across the country resulted in lower volumes in the logistics environment. The engineering and construction sector was extremely depressed, and industrial manufacturing output was below that of the comparative reporting period. The business unit servicing the petrochemical industry remains under pressure, with labour intensive projects being shelved and maintenance shuts being minimised. This component of the flexible staffing operations is expected to remain under pressure. The white collar professional draughting and engineering staffing operations delivered a solid performance.

Despite the unpredictable trading environment Primeserv has continued to invest in its service offerings and has developed alternative outsourced human capital, productivity and business process solutions for its clients so as to match market needs to the new labour legislation in ways that achieve optimal outcomes for all stakeholders.

The Training & Consulting Services segment continues to offer both strategic and growth opportunities. Investment was made in new training product lines and also in furthering training and upskilling activities at Primeserv's TES clients. Youth development and employment advancement remains a key element in the activities of the business. Revenue was stable at R21,5 million compared to revenue of R21,1 million for the comparative six months. Efforts aimed at improving both margin and cost management resulted in a 14% increase in operating profit from R1,9 million to R2,1 million for the current six months under review.

OUTLOOK AND PROSPECTS

Given the economic conditions facing South Africa, particularly affected by the current drought, weakened Rand, depressed commodities cycle, electricity and water supply constraints, and compounded by onerous labour regulations, we anticipate the difficult trading environment to continue for some time.

Despite these challenges, there remain opportunities. The Group's proactive and innovative approach to developing new and fully legislatively compliant TES services for its clients that meet their constantly changing staffing and productivity requirements whilst effectively managing inherent risks, positions Primeserv to deliver positive growth. The Group is also currently considering a number of acquisitive opportunities that form part of its strategy to scale up the business and to diversify its revenue streams across the business support services environment.

On behalf of the Board

M Abel
Acting Chairman and Chief Executive Officer

R Sack
Financial Director

24 November 2015
Johannesburg

CORPORATE INFORMATION

PRIMESERV GROUP LIMITED

("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

M Abel (Acting Chairman and Chief Executive Officer), JM Judin[#], LM Maisela^{*}, DL Rose[#], R Sack (Financial Director)
DC Seaton, CS Shiceka[#]

[#]Independent non-executive ^{*}Non-executive

COMPANY SECRETARY

ER Goodman Secretarial Services CC (represented by E Goodman)

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TRANSFER SECRETARIES

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