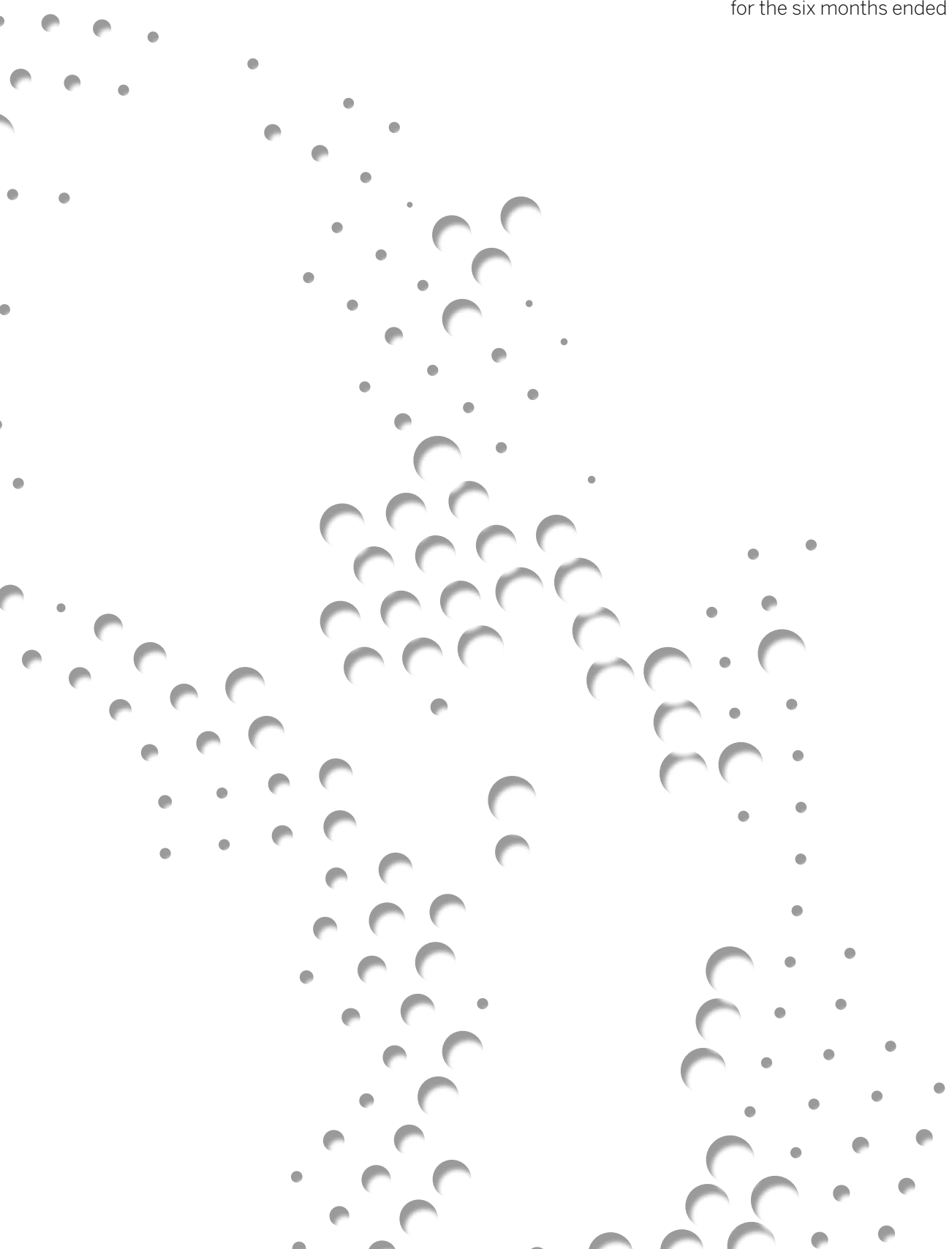




unaudited interim financial results

for the six months ended 30 September

2017



condensed consolidated statement of comprehensive income

for the six months ended 30 September 2017

	Unaudited September 2017 R'000	Unaudited September 2016 R'000	Audited March 2017 R'000
Revenue	347 906	297 263	642 122
Cost of sales	(293 229)	(249 801)	(540 905)
Gross profit	54 677	47 462	101 217
Other income	86	109	1 139
Operating expenses	(44 669)	(37 786)	(80 749)
Operating profit	10 094	9 785	21 607
Interest received	135	97	291
Interest paid	(1 195)	(972)	(2 385)
Profit before taxation	9 034	8 910	19 513
Taxation	(1 101)	(1 459)	(2 770)
Profit and total comprehensive income	7 933	7 451	16 743
Profit and total comprehensive income attributable to:			
Ordinary shareholders of the Company	7 791	7 005	16 008
Non-controlling shareholders' interest	142	446	735
Profit and total comprehensive income	7 933	7 451	16 743
Earnings per share and diluted earnings per share (cents)	8.65	7.78	17.77

condensed consolidated statement of financial position

as at 30 September 2017

	Unaudited September 2017 R'000	Unaudited September 2016 R'000	Audited March 2017 R'000
ASSETS			
Non-current assets	44 213	42 465	43 292
Equipment and vehicles	5 535	3 644	3 513
Investment property	7 045	7 645	7 045
Goodwill	21 178	18 170	21 178
Intangible assets	–	693	–
Deferred tax asset	10 455	12 313	11 556
Current assets	114 618	96 314	132 781
Inventories	159	93	177
Trade and other receivables	111 371	94 513	129 907
Taxation receivable	216	634	634
Cash and cash equivalents	2 872	1 074	2 063
TOTAL ASSETS	158 831	138 779	176 073
EQUITY AND LIABILITIES			
Equity	112 291	96 878	106 170
Capital and reserves	120 405	105 423	114 426
Non-controlling interests	(8 114)	(8 545)	(8 256)
Current liabilities	46 540	41 901	69 903
Trade and other payables	32 810	25 473	31 810
Bank borrowings	13 730	16 428	38 093
TOTAL EQUITY AND LIABILITIES	158 831	138 779	176 073

condensed consolidated statement of changes in equity

for the six months ended 30 September 2017

	Unaudited September 2017 R'000	Unaudited September 2016 R'000	Audited March 2017 R'000
Balance at beginning of period	106 170	90 643	90 643
Total comprehensive income – profit	7 791	7 005	16 008
Dividends paid	(1 812)	(1 216)	(1 216)
Non-controlling shareholders' interest in total comprehensive income	142	446	735
Balance at end of period	112 291	96 878	106 170

condensed consolidated statement of cash flows

for the six months ended 30 September 2017

	Unaudited September 2017 R'000	Unaudited September 2016 R'000	Audited March 2017 R'000
Profit before taxation	9 034	8 910	19 513
Adjustment for non-cash items	790	1 610	3 017
Operating cash flows before working capital changes	9 824	10 520	22 530
Net working capital changes	19 554	(148)	(28 989)
Taxation received	418	4	–
Cash flows generated from/(utilised in) operating activities	29 796	10 376	(6 459)
Cash flows utilised in investing activities	(2 812)	(616)	(4 457)
Cash flows utilised in financing activities	(1 812)	(1 216)	(1 216)
Net increase/(decrease) in cash and cash equivalents	25 172	8 544	(12 132)
Cash and cash equivalents at beginning of period	(36 030)	(23 898)	(23 898)
Cash and cash equivalents at end of period	(10 858)	(15 354)	(36 030)

segmental analysis

for the six months ended 30 September 2017

	Unaudited September 2017 R'000	Unaudited September 2016 R'000	Audited March 2017 R'000
Revenue: sales to external customers			
Staffing and Recruitment Services	332 740	280 451	609 891
Training and Consulting Services	15 166	16 812	32 231
Total	347 906	297 263	642 122
Revenue: inter-segment revenue			
Staffing and Recruitment Services	-	-	-
Training and Consulting Services	-	6	153
Total	-	6	153
Business segment operating profit results			
Staffing and Recruitment Services	18 323	15 043	33 639
Training and Consulting Services	(1 927)	1 487	(1 297)
Shared Services	(6 302)	(6 745)	(10 735)
Operating profit	10 094	9 785	21 607
Interest received	135	97	291
Interest paid	(1 195)	(972)	(2 385)
Profit before taxation	9 034	8 910	19 513
Business segment EBITDA			
Staffing and Recruitment Services	19 879	15 522	35 195
Training and Consulting Services	(1 580)	1 627	(950)
Shared Services	(5 237)	(5 916)	(9 864)
Total	13 062	11 233	24 381
Business segment total assets			
Staffing and Recruitment Services	109 654	104 979	126 143
Training and Consulting Services	20 349	18 736	21 173
Shared Services	28 828	15 064	28 757
Total	158 831	138 779	176 073
Business segment total liabilities			
Staffing and Recruitment Services	23 462	35 302	46 944
Training and Consulting Services	5 791	2 014	5 035
Shared Services	17 287	4 585	17 924
Total	46 540	41 901	69 903
Business segment net assets			
Staffing and Recruitment Services	86 192	69 677	79 199
Training and Consulting Services	14 558	16 722	16 138
Shared Services	11 541	10 479	10 833
Total	112 291	96 878	106 170

notes

1. basis of preparation

The condensed consolidated interim financial statements are prepared in accordance with IAS 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee 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).

2. headline earnings per share

	Unaudited 30 September 2017 R'000	Unaudited 30 September 2016 R'000	Audited 31 March 2017 R'000
Attributable earnings	7 791	7 005	16 008
Headline earnings adjustments (net of tax effect)			
• Loss on disposal of fixed assets	7	–	171
• Impairment of investment in property	–	–	466
• Impairment of intangible assets	–	–	234
Attributable headline earnings	7 798	7 005	16 879
Headline earnings and diluted headline earnings per share (cents)	8.66	7.78	18.74

3. fair value measurement

	Unaudited 30 September 2017 R'000	Unaudited 30 September 2016 R'000	Audited 31 March 2017 R'000
Level			
Investment properties			
The Directors assessed the value of the properties at year end March 2017. There have been no indicators of any changes in fair value during the period under review.	3	7 045	7 645
			7 045

4. net asset value per share

	Unaudited 30 September 2017 R'000	Unaudited 30 September 2016 R'000	Audited 31 March 2017 R'000
Number of shares in issue at end of period (net of treasury shares) ('000)	90 064	90 064	90 064
Net asset value per share (cents)	134	117	127

notes (continued)

5. dividend

Notice is hereby given that a gross cash dividend of 1.50 cents per share for the interim period was declared on Wednesday, 22 November 2017, payable to shareholders recorded in the share register of the Company at the close of business on the record date appearing below. The salient dates pertaining to the interim dividend are as follows:

Last date to trade "cum" dividend	Tuesday, 9 January 2018
Date trading commences "ex" dividend	Wednesday, 10 January 2018
Record date	Friday, 12 January 2018
Date of payment	Monday, 15 January 2018

Ordinary share certificates may not be dematerialised or rematerialised between Wednesday, 10 January 2018 and Friday, 12 January 2018, both days inclusive.

Shareholders who are not exempt from the Dividend Withholding Tax of 20% will therefore receive a net dividend of 1.20 cents per share. The Company has 132 062 743 ordinary shares in issue and its income tax reference number is 9408/002/71/6. The dividend is being paid out of income reserves.

All times provided in this announcement are South African local times.

Where applicable, dividends in respect of certificated shares will be transferred electronically to shareholders' bank accounts on the payment date. In the absence of specific mandates, dividend cheques will be posted to shareholders at their risk. Ordinary shareholders who hold dematerialised shares will have their accounts credited at their CSDP or broker on Monday, 15 January 2018.

6. events after the reporting date

Management is not aware of any material events that occurred subsequent to the end of the financial period under review.

7. auditors responsibility

The results have not been reviewed or audited by the Group's external auditors.

8. forward-looking statements

Certain statements contained in the report are forward-looking statements which Primeserv believes are reasonable and which consider information up to the date of publication. These statements could differ materially due to various factors such as changes in economic and market conditions or changes in the regulatory environment. As a result these forward-looking statements are not guarantees of future performance. Forward-looking statements have not been reviewed or audited by the Group's auditors, Mazars.

commentary

Primeserv is an investment holding company and a leading provider of integrated business support services focused on providing client-centric human capital services, spanning staffing and recruitment services, functional outsourcing services and training and consulting services. We align our customized services to our clients' needs, optimizing their required human capital base to enhance the capabilities of their organisations. Our innovative solutions deliver economically measurable value-added services that directly impact on productivity and performance. This allows our clients to focus on their business objectives, so as to achieve their strategic goals. Primeserv has a strong focus on workplace flexibility solutions and on the development of labour force skills through its training and learnership programmes with a particular emphasis on the advancement and employment of youth in South Africa.

Group revenue for the period increased by 17% from R297.3 million to R347.9 million although the constrained trading conditions have continued to place margins under pressure. EBITDA increased by 16% from R11.2 million to R13.1 million whilst operating profit was marginally up by 3% from R9.8 million to R10.1 million. Operating expenses reflect a period-on-period increase that is attributable to a substantial investment made in new business development initiatives, increased marketing and product and services offerings and associated costs in relation to the repositioning of the Group and the brand to meet changing market conditions. Interest paid for the review period was higher than forecast due in the main to a parastatal being slow in settling its obligations, which has largely been addressed at the interim reporting date. This is evident in the significant improvement in both Days Sales Outstanding ("DSO") and in the strong cash generation. The Group's DSO has improved from 63 days at the end of March 2017 to 49 days at the end of the review period. Cash flows from operations was greatly improved to R29.8 million for the six months, compared with R10.4 million for the comparable period. This has led to the Group's gearing improving from 31% at year end to 9% at the end of September 2017. Total comprehensive income attributable to shareholders of the Company increased by 11% from R7.0 million to R7.8 million for the review period. Earnings per share increased by 11% from 7.78 cents per share to 8.65 cents per share while headline earnings per share increased from 7.78 cents per share to 8.66 cents per share. The net asset value reflects the continued improved position of the Group, having increased by 14% from 117 cents per share to 134 cents per share.

Revenue in the Staffing and Recruitment Services segment increased by 19% from R280.5 million to R332.7 million. The segment's operating profit improved by 22% from R15.0 million to R18.3 million. EBITDA was up by 28% from R15.5 million to R19.9 million. The segment's DSO improved from 61 days at the end of March 2017 to 48 days at the end of the current reporting period.

The blue collar staffing unit, specializing in servicing the logistics, warehousing and distribution market, as well as the wholesale and retail, manufacturing and engineering and construction sectors, delivered another period of satisfactory results under difficult market conditions. Headcount remained stable but man-hours worked were under pressure, particularly across the units servicing the logistics and wholesale and retail sectors. The white collar professional draughting and engineering staffing unit faced revenue pressure in some of its markets, whilst continuing to deliver a stable performance.

The Training and Consulting Services segment offers both strategic and growth opportunities to the Group. Ongoing investment was made in new training products and services so as to remain relevant to the constantly changing skills gap in the South African economy. This segment continues to work closely with the Group's staffing units, placing particular emphasis on youth employee development and advancement allied to staff placement and procurement initiatives directed at the local communities in which the Group's clients are located. This strategy is a key component of the Group's sustainability plan that aligns its staffing and training offerings to the national imperative of growing employment in South Africa.

The Training and Consulting Services segment experienced an unanticipated 10% decrease in revenue from R16.8 million to R15.2 million with the business recording an unexpected operating loss of R1.9 million for the period with operating margins having been severely affected during the review period due to unbudgeted costs relating to the close out of historical projects. DSO remains high at 79 days albeit better than the 89 days at year end March 2017. This remains a function of slow payment by various SETAs. Substantial emphasis has been placed on developing a sustainable growth and profit generating strategy for this segment's business operations.

commentary (continued)

board and transformation

There were no changes to the Board during the period under review. The Board is actively engaged in furthering its transformation by increasing its black female representation in line with its stated B-BBEE transformation and gender diversity programme.

outlook

The South African economy remains under pressure and growth prospects in many of the sectors serviced by the Group continue to be weak. Nevertheless, Primeserv continues to seek out both organic and acquisitive opportunities in line with its strategy of advancing its national business support services capability, whilst also aiming to unlock the value inherent in the Group.

On behalf of the Board

CS Ntshingila

Chairperson

22 November 2017

Illovo

M Abel

Chief Executive Officer

R Sack

Financial Director

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

www.primeserv.co.za

Email: productivity@primeserv.co.za

directors

CS Ntshingila* (Chairperson), M Abel (Chief Executive Officer), JM Judin*,
LM Maisela#, DL Rose* (Lead Independent), R Sack (Financial Director)

* Independent non-executive # Non-executive

company secretary

ER Goodman Secretarial Services (Pty) Ltd (represented by M Janse van Rensburg)

registered address

25 Rudd Road, Illovo, 2196
(PO Box 3008, Saxonwold, 2132)

transfer secretaries

Computershare Investor Services (Pty) Ltd, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196
(PO Box 61051, Marshalltown, 2107)

auditors

Mazars, 54 Glenhove Road, Melrose Estate, 2196

sponsor

Grindrod Bank Limited, 4th Floor Grindrod Towers, 8A Protea Place, Sandton, 2196

