



PRIMESERV GROUP LIMITED
REVIEWED PROVISIONAL RESULTS
FOR THE 12 MONTHS ENDED 31 MARCH 2016

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE 12 MONTHS ENDED 31 MARCH 2016

	Reviewed 2016 R'000	Audited 2015 R'000
Revenue	572 388	650 960
Cost of sales	(472 342)	(541 641)
Gross profit	100 046	109 319
EBITDA	16 190	13 701
Depreciation and amortisation	(1 706)	(2 110)
Operating profit	14 484	11 591
Interest received	454	272
Interest paid	(3 819)	(4 862)
Profit before taxation	11 119	7 001
Taxation	105	4 134
Total comprehensive income	11 224	11 135
<i>Total comprehensive income attributable to:</i>		
Ordinary shareholders of the Company	12 860	11 923
Non-controlling shareholders' interest – share of loss	(1 636)	(788)
Total comprehensive income	11 224	11 135
Reconciliation of headline earnings		
Net profit attributable to shareholders	12 860	11 923
Headline earnings	12 860	11 923
Weighted average number of shares ('000)	92 787	93 682
Diluted weighted average number of shares ('000)	92 787	93 682
Earnings per share and diluted earnings per share (cents)	13.86	12.73
Headline earnings and diluted headline earnings per share (cents)	13.86	12.73

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2016

	Reviewed 2016 R'000	Audited 2015 R'000	
ASSETS			
Non-current assets	44 619	47 788	
Equipment and vehicles	3 693	3 534	
Investment property	7 645	7 645	
Goodwill	18 170	18 170	
Intangible assets	882	1 360	
Long-term receivables	—	3 048	
Deferred tax asset	14 229	14 031	
Current assets	97 398	92 485	
Inventories	103	119	
Trade receivables	79 994	85 218	
Other receivables	8 576	5 836	
Taxation receivable	637	—	
Cash and cash equivalents	8 088	1 312	
Total assets	142 017	140 273	
EQUITY AND LIABILITIES			
Equity	90 643	81 877	
Capital and reserves	99 634	89 232	
Non-controlling interest	(8 991)	(7 355)	
Non-current liabilities	—	110	
Current liabilities	51 374	58 286	
Trade and other payables	19 388	15 759	
Financial liabilities	—	32	
Taxation payable	—	289	
Bank borrowings	31 986	42 206	
Total equity and liabilities	142 017	140 273	
Number of shares in issue at end of year (net of treasury shares)	('000)	90 064	93 682
Net asset value per share	(cents)	110	95

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE 12 MONTHS ENDED 31 MARCH 2016

	Reviewed 2016 R'000	Audited 2015 R'000
Balance at beginning of year	81 877	70 742
Attributable earnings	12 860	11 923
Acquisition of treasury shares	(1 531)	–
Dividend declared	(927)	–
Non-controlling shareholders' interest	(1 636)	(788)
Balance at end of year	90 643	81 877

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE 12 MONTHS ENDED 31 MARCH 2016

	Reviewed 2016 R'000	Audited 2015 R'000
Profit before taxation	11 119	7 001
Adjustment for non-cash items	4 754	5 918
Operating cash flows before working capital changes	15 873	12 919
Net working capital changes	6 128	(4 454)
Taxation paid	(1 019)	(717)
Cash flows from operating activities	20 982	7 748
Cash flows from investing activities	(1 386)	(804)
Cash flows from financing activities	(2 600)	142
Net increase in cash and cash equivalents	16 996	7 086
Cash and cash equivalents at beginning of year	(40 894)	(47 980)
Cash and cash equivalents at end of year	(23 898)	(40 894)

SEGMENTAL ANALYSIS

FOR THE 12 MONTHS ENDED 31 MARCH 2016

	Reviewed 2016 R'000	Audited 2015 R'000
Revenue from external customers		
Staffing and Recruitment Services	532 350	612 275
Training and Consulting Services	40 038	38 685
Total	572 388	650 960
Revenue – inter-segment		
Staffing and Recruitment Services	–	–
Training and Consulting Services	99	116
Total	99	116
Business segment operating profit results		
Staffing and Recruitment Services	27 326	27 690
Training and Consulting Services	1 055	1 007
Central Services	(13 897)	(17 106)
Operating profit	14 484	11 591
Interest received	454	272
Interest paid	(3 819)	(4 862)
Profit before taxation	11 119	7 001
Business segment EBITDA		
Staffing and Recruitment Services	28 609	29 180
Training and Consulting Services	1 397	1 443
Central Services	(13 816)	(16 922)
Total	16 190	13 701
Business segment total assets		
Staffing and Recruitment Services	109 656	107 875
Training and Consulting Services	19 989	20 728
Central Services	12 372	11 670
Total	142 017	140 273
Business segment net assets		
Staffing and Recruitment Services	61 564	57 377
Training and Consulting Services	17 409	14 691
Central Services	11 670	9 809
Total	90 643	81 877

NOTES

1. BASIS OF PREPARATION

The condensed consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports and the requirements of the Companies Act of South Africa. The Listings Requirements require provisional reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting. The accounting policies applied in the preparation of the condensed consolidated financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements. The results were prepared by the Group Financial Director, Mr. R Sack CA (SA).

2. REVIEW OPINION

The Group's auditors, Baker Tilly SVG, have reviewed the financial results for the year ended 31 March 2016. A copy of their unmodified review report is available for inspection at the Company's registered office. Any reference to future financial performance included in this announcement has not been reviewed nor reported on by the auditors.

3. FINANCIAL INSTRUMENTS

At the reporting date, the group's financial assets and financial liabilities are all current. The carrying value of all financial assets and financial liabilities is a reasonable approximation of fair value.

4. WEIGHTED AVERAGE NUMBER OF SHARES

The Primeserv Group Limited Share Trust purchased 3 617 972 shares which have reduced the weighted average number of shares in issue during the year under review.

5. DIVIDEND

Notice is hereby given that a final gross cash dividend of 1.35 cents per share (2015: 1 cent per share) for the year ended 31 March 2016 was declared on Monday, 27 June 2016, 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 final dividend are as follows:

Last date to trade "cum" dividend	Monday, 8 August 2016
Date trading commences "ex" dividend	Wednesday, 10 August 2016
Record date	Friday, 12 August 2016
Date of payment	Monday, 15 August 2016

Ordinary share certificates may not be dematerialised or rematerialised between Wednesday, 10 August 2016 and Friday, 12 August 2016, both days inclusive.

Shareholders who are not exempt from the Dividend Withholding Tax of 15% will therefore receive a net dividend of 1.1475 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 at their CSDP or broker credited on Monday, 15 August 2016.

6. EVENTS AFTER THE REPORTING DATE

Management is not aware of any material events which have occurred subsequent to the end of March 2016. There has been no material change in the Group's contingent liabilities since year-end.

7. TRANSFORMATION

The Company has initiated a programme in terms of which qualifying B-BBEE staff are encouraged to acquire shares in the capital of the Company. The acquisitions are supported by the provision of financial assistance by the Primeserv Group Limited Share Trust. Following on from the approval by shareholders of resolutions related to the provision of financial assistance to B-BBEE staff in January of this year, the Share Trust is now in the process of finalising the first round of transactions disposing of shares acquired, for the purpose, to qualifying B-BBEE employees supported by loans from the Share Trust.

8. BOARD

The following changes to the directorate took place:

- ◆ CS Shiceka, an independent non-executive director, was appointed as Chairman on 31 March 2016, replacing M Abel who had been Acting Chairman.
- ◆ DC Seaton resigned as an executive director on 21 April 2016.

COMMENTARY

Primeserv Group Limited is an investment holding company with subsidiary operations focused on providing 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 and Recruitment Services, and Training and Consulting Services.

Primeserv's results for the 12 months ended 31 March 2016 were satisfactory given the difficult economic trading conditions experienced across most of the business sectors serviced by the Group. The performance of the Group's largest business segment providing Temporary Employment Services (TES) was negatively impacted by a combination of a poorly performing economy and the initial reaction from certain industry specific clients to the introduction of South Africa's new labour legislation. This resulted in a higher than anticipated reduction in volumes across the TES industry and consequently had a negative effect on revenue in the flexible staffing component of the Group's business. This was primarily attributable to some client uncertainty in relation to the implementation of the employment relationship encompassed in the new Labour Relations Act (LRA).

Through a process of client consultation and workplace forums, aligned to Primeserv's overriding commitment to ensuring a clear understanding of and compliance with the new labour laws (particularly in light of the Labour Court ruling in September 2015 that clarified the employment relationship between the TES, client and contractor) volumes across the TES market have started to stabilise, however, at lower levels currently than had been experienced prior to the amendments coming into effect.

As a consequence of lower staffing volumes, but taking cognisance of the need to maintain the Group's strategic national footprint and client centric service delivery capacity, stringent efficiency initiatives were implemented whilst rightsizing was kept to a minimum. This has positioned the Group to meet any uptake in demand for its services and deliver on new contract awards. The Group continued to invest in the growth of its expanded national infrastructure and systems based operations so as to remain price competitive whilst entrenching its ethos of client service excellence.

As referred to at the interim reporting stage, attention has been directed toward improving operating performance where possible, through contract specific margin management. Allied to this is an ongoing programme focused on employee skills assessment and training, youth development and deployment in conjunction with Government's aim to alleviate youth unemployment, and a need to improve workplace productivity. Underperforming contracts across all of the Human Capital Services business units were reassessed and some were brought to a close. To address the revenue decline experienced in the financial year under review, investment in an expanded national sales force has been undertaken which may have a short term impact on future profit performance. This has led to the award of some meaningful new contracts which once rolled out should result in revenue growth.

As a result of the weak and uncertain operating environment and lower staffing volumes, Group revenue for the year ended 31 March 2016 decreased by 12 percent from R651.0 million to R572.4 million. Consequently earnings per share and headline earnings per share showed muted growth increasing by 9 percent from 12.73 cents per share to 13.86 cents per share. Earnings before tax and depreciation and amortisation (EBITDA) increased by 18 percent from R13.7 million to R16.2 million. Operating profit increased by 25 percent from R11.6 million to R14.5 million. The net interest cost incurred by the Group decreased from R4.6 million to R3.4 million with interest cover improving from a ratio of 2.5 to a ratio of 4.3 for the year under review. Profit before taxation increased by 59 percent from R7.0 million to R11.1 million, whilst total comprehensive income increased by 1 percent from R11.1 million to R11.2 million on the back of increased taxation. Overall the Group's headline earnings increased by 8 percent from R11.9 million to R12.9 million.

The Group's balance sheet continued to reflect an improvement. Long term and other receivables reduced year on year from an aggregate R8.9 million to R8.6 million, with the long term component having reduced to nil. Trade receivables have decreased from R85.2 million to R80.0 million at year end, with Days Sales Outstanding (DSO) weakening from 42 days to 45 days. This is indicative of the tighter trading environment. The Group improved its cash and borrowings positions, with net bank borrowings decreasing from R40.9 million to R23.9 million at the end of the financial year under review. This resulted in gearing improving from 46 percent to 24 percent. The Group's net asset value increased by 16 percent year on year from 95 cents per share to 110 cents per share.

As indicated previously, reduced headcount resulted in lower revenue in the Staffing and Recruitment Services segment of the Group. Despite reduced volumes, profitability was positively affected by a proactive and constructive approach to dealing with the impact of the new LRA, ensuring stringent compliance capability, aligned to the effective implementation of this legislation in conjunction with improved workplace productivity initiatives. Revenue declined by 13 percent from R612.2 million to R532.4 million. A major loss of revenue was experienced in the business unit servicing the petrochemical sector. This was a direct consequence of ongoing weakness in the oil price, resulting in certain labour intensive projects being delayed and planned maintenance shutdowns being minimised. The unit also brought to an end a substantial but underperforming contract, which has to date not been replaced. Whilst this business unit is expected to remain under pressure for some time, its efforts are being redirected to develop alternative revenue streams within the heavy industrial, engineering and power generation sectors. The blue collar staffing unit which specialises in servicing the logistics, warehousing and distribution market, as well as the wholesale and retail, manufacturing and engineering and construction sectors, delivered a satisfactory performance under trying conditions. Lower than anticipated peak season volumes were experienced across the logistics environment, whilst the engineering and construction sector was severely depressed. The white collar professional draughting and engineering staffing unit delivered a stable trading performance. The Group has, in line with Government's programmes aimed at seeking to create employment and upskilling opportunities particularly for the youth

and poorly skilled employees, directed its efforts and resources towards driving these key national imperatives. This has been achieved through the alignment of the Group's operational activities to benefits linked to youth employment, learnerships and skills development grants. Given that some of these programmes are coming to an end, the Group is focusing on developing organic growth opportunities and diversifying its revenue streams. Acquisitions within the outsourced business support services sector are also being actively pursued. A change in client mix across the segment combined with cost containment measures and the ongoing vigorous management of working capital, as well as the benefits of efficiencies from the Group's Central Services unit assisted in stabilising operating profit which was marginally weaker at R27.3 million compared to R27.7 million for the comparable period. The segment's DSO increased to 42 days from 40 days due in part to the change in client mix and to the tougher collections environment.

The Training and Consulting Services segment offers both strategic and growth opportunities to the Group as a whole. Investment was made in developing new training product lines and also in furthering training and upskilling at Primeserv's TES clients. In working closely with the Group's staffing units emphasis was placed on employee development and advancement allied to staff placement and procurement initiatives focused on the local communities in which the Group's clients are located. Revenue for the segment increased from R38.7 million to R40.0 million, with operating profit increasing by 5 percent from R1.0 million to R1.1 million for the 12 months ended 31 March 2016. Operating performance in the latter part of the financial year was again affected by contract delays and

late cancellations, whilst fixed costs increased in anticipation of contract starts. The segment's DSO deteriorated year on year from 75 days to 82 days, due in the main to delayed payment from the SETAS. The training unit has developed a dedicated Wholesale and Retail Academy which specialises in delivering employee skills upliftment and workplace sustainability programmes for the wholesale and retail sector. Emphasis has been placed on developing this segment of the Group so as to expand its value proposition from its inherently strategic impact to that of a meaningful profit generator.

The South African economic outlook is weak. Growth prospects in many of the industries serviced by the Group are under pressure. Consequently, employment opportunities remain depressed. Nevertheless, the Group is optimistic regarding its growth prospects. Primeserv's emphasis on a market centric approach that delivers customised services for clients through its national infrastructure, in ways that meet their constantly changing human capital and productivity requirements, positions it to benefit from improved trading conditions. The Group, as referred to earlier, is seeking acquisitions and exploring other opportunities that will enable it to leverage its inherent scalability whilst also diversifying its revenue base.

By order of the Board

Merrick Abel
Chief Executive Officer

Raphael Sack
Financial Director

Primeserv Group Limited
27 June 2016

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

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

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

COMPANY SECRETARY

ER Goodman Secretarial Services CC (represented by E Goodman)

REGISTERED ADDRESS

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TRANSFER SECRETARIES

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AUDITORS

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