



PRIMESERV GROUP LIMITED
UNAUDITED INTERIM FINANCIAL RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

		Unaudited September 2016 R' 000	Unaudited September 2015 R' 000	Audited March 2016 R' 000
Revenue		297 263	287 632	572 388
Cost of sales		(249 801)	(236 782)	(472 342)
Gross profit		47 462	50 850	100 046
Other income		109	1 921	4 128
Operating expenses		(37 786)	(44 460)	(89 690)
Operating profit		9 785	8 311	14 484
Interest received		97	118	454
Interest paid		(972)	(2 222)	(3 819)
Profit before taxation		8 910	6 207	11 119
Taxation		(1 459)	(474)	105
Total comprehensive income		7 451	5 733	11 224
Total comprehensive income attributable to:				
Ordinary shareholders of the Company		7 005	6 032	12 860
Non-controlling shareholders' interest - share of profit / (loss)		446	(299)	(1 636)
Total comprehensive income		7 451	5 733	11 224
Weighted average number of shares	('000)	90 064	93 682	92 787
Diluted weighted average number of shares	('000)	90 064	93 682	92 787
Earnings per share and diluted earnings per share	(cents)	7.78	6.44	13.86
Headline earnings per share and diluted headline earnings per share	(cents)	7.78	6.44	13.86

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2016

	Unaudited September 2016 R' 000	Unaudited September 2015 R' 000	Audited March 2016 R' 000	
ASSETS				
Non-current assets	42 465	44 584	44 619	
Equipment and vehicles	3 644	3 498	3 693	
Investment property	7 645	7 645	7 645	
Goodwill	18 170	18 170	18 170	
Intangible assets	693	967	882	
Long term receivable	–	498	–	
Deferred tax asset	12 313	13 806	14 229	
Current assets	96 314	94 584	97 398	
Inventories	93	117	103	
Trade receivables	84 574	76 457	79 994	
Other receivables	9 939	9 520	8 576	
Taxation receivable	634	224	637	
Cash and cash equivalents	1 074	8 266	8 088	
TOTAL ASSETS	138 779	139 168	142 017	
EQUITY AND LIABILITIES				
Equity	96 878	86 683	90 643	
Capital and reserves	105 423	94 337	99 634	
Non-controlling interest	(8 545)	(7 654)	(8 991)	
Non-current liabilities	–	90	–	
Current liabilities	41 901	52 395	51 374	
Trade and other payables	25 473	11 900	19 388	
Current portion of interest bearing liabilities	–	36	–	
Dividend payable	–	927	–	
Bank borrowings	16 428	39 532	31 986	
TOTAL EQUITY AND LIABILITIES	138 779	139 168	142 017	
Number of shares in issue at end of period (net of treasury shares)	(‘000)	90 064	92 742	90 064
Net asset value per share	(cents)	117	102	110

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	Unaudited September 2016 R' 000	Unaudited September 2015 R' 000	Audited March 2016 R' 000
Balance at beginning of period	90 643	81 877	81 877
Attributable earnings	7 005	6 032	12 860
Acquisition of treasury shares	–	–	(1 531)
Dividend declared	(1 216)	(927)	(927)
Non-controlling shareholders' interest	446	(299)	(1 636)
Balance at end of period	96 878	86 683	90 643

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	Unaudited September 2016 R' 000	Unaudited September 2015 R' 000	Audited March 2016 R' 000
Profit before taxation	8 910	6 207	11 119
Adjustment for non-cash items	1 610	3 621	4 754
Operating cash flows before working capital changes	10 520	9 828	15 873
Net working capital changes	(148)	1 220	6 128
Taxation paid	4	(762)	(1 019)
Cash flows from operating activities	10 376	10 286	20 982
Cash flows from investing activities	(616)	(642)	(1 386)
Cash flows from financing activities	(1 216)	(16)	(2 600)
Net increase in cash and cash equivalents	8 544	9 628	16 996
Cash and cash equivalents at beginning of period	(23 898)	(40 894)	(40 894)
Cash and cash equivalents at end of period	(15 354)	(31 266)	(23 898)

SEGMENTAL ANALYSIS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	Unaudited September 2016 R' 000	Unaudited September 2015 R' 000	Audited March 2016 R' 000
Revenue from external customers			
Staffing and Recruitment Services	280 451	266 179	532 350
Training and Consulting Services	16 812	21 453	40 038
Total	297 263	287 632	572 388
Revenue - inter-segment			
Staffing and Recruitment Services	–	–	–
Training and Consulting Services	6	104	99
Total	6	104	99
Business segment operating profit results			
Staffing and Recruitment Services	15 043	14 826	27 326
Training and Consulting Services	1 487	2 129	1 055
Central Services	(6 745)	(8 644)	(13 897)
Operating profit	9 785	8 311	14 484
Interest received	97	118	454
Interest paid	(972)	(2 222)	(3 819)
Profit before taxation	8 910	6 207	11 119
Business segment EBITDA			
Staffing and Recruitment Services	15 522	15 521	28 609
Training and Consulting Services	1 627	2 311	1 397
Central Services	(5 916)	(8 450)	(13 816)
Total	11 233	9 382	16 190
Business segment total assets			
Staffing and Recruitment Services	104 979	102 133	109 656
Training and Consulting Services	18 736	21 340	19 989
Central Services	15 064	15 695	12 372
Total	138 779	139 168	142 017
Business segment net assets			
Staffing and Recruitment Services	66 734	59 927	61 564
Training and Consulting Services	19 665	16 393	17 409
Central Services	10 479	10 363	11 670
Total	96 878	86 683	90 643

NOTES

1. BASIS OF PREPARATION

The condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), IAS34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Pronouncements as issued by the 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 IFRS 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 2016 R'000	Unaudited 30 September 2015 R'000	Audited 31 March 2016 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 fair value 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.	3	—	498	—
Cash and cash equivalents	1	1 074	8 266	8 088

3. DIVIDEND

No interim dividend is proposed for the period under review. The final dividend in respect of the financial year ended 31 March 2016 was paid to shareholders on 15 August 2016.

4. EVENTS AFTER THE REPORTING DATE

Other than the acquisition of certain contracts and rights from the Cozens Group, management is not aware of any material events which have occurred subsequent to the end of the financial period under review.

COMMENTARY

Primeserv Group is an investment holding company focused on providing market leading business support services to organisations throughout Southern Africa. Our services are delivered through our operating pillar, Primeserv Human Capital Services. This incorporates two main areas of specialisation, namely Staffing and Recruitment Services and Training and Consulting Services. We offer a client-centric, insight-based, integrated approach to human capital planning and implementation. For our clients this means increased productivity, reduced human resources related risk and the freedom to concentrate on their core business.

Tough trading conditions persisted throughout the six months ended 30 September 2016. Group revenue for the period increased marginally by 3% from R287,6 million to R297,3 million. Gross profit margins remained under pressure. This was exacerbated during the review period primarily by changes in the headcounts and hours worked at many of the clients across the Group's Staffing and Recruitment Services segment. Weaker than budgeted operating margins in the Training and Consulting Services segment also negatively impacted overall gross profit. Consequently gross profit decreased by 7% from R50,9 million to R47,5 million for the period under review. This was offset by lower operating expenses, mainly as a result of further efficiencies and stronger working capital management. Interest paid improved from R2,2 million to R1,0 million. Interest cover remains strong. EBITDA for the six months increased by 20% from R9,4 million to R11,2 million with operating profit increasing by 18% from R8,3 million to R9,8 million. Total comprehensive income attributable to shareholders of the Company increased from R6,0 million to R7,0 million for the review period. Earnings per share and headline earnings per share increased by 21% from 6,44 cents per share to 7,78 cents per share.

The balance sheet continues to strengthen. Trade receivables have increased from R76,5 million to R84,6 million at the end of the reporting period. The average days sales outstanding ("DSO") has improved from 42 days to 39 days for the period under review. Trade payables have increased to R25,5 million. Cash flow from operating activities was sound, improving slightly from R10,3 million in the comparable period to R10,4 million during the period under review. Cash and cash equivalents recorded a net inflow of R8,5 million for the 6 months ended September 2016. Overall gearing has improved from 33% at the end of September 2015 to 15% at the end of September 2016. The Group's net asset value per share increased by 15% to 117 cents per share at the end of September 2016.

The Group's operations continue to focus on improving operational performance where possible through stringent cost containment and contract specific margin management. This has enabled the Group to remain price competitive in a value driven economic environment. Ongoing investment continued to be made in expanding the Group's national sales force so as to drive revenue growth. Given the challenging trading environment and long sales cycles applicable to the Group's current service offerings, anticipated opportunities will take time to close and consequently this investment may impact profitability in the short term. Aligned to this growth initiative is the Group's ongoing programme focused on employee skills assessment and upskilling, as well as youth development and deployment aimed at reducing youth unemployment and a constant need to enhance workplace productivity.

Revenue in the Staffing and Recruitment Services segment increased by 5% from R266,2 million to R280,5 million. The segment's operating profit remained consistent, improving by 1% from R14,8 million to R15,0 million. EBITDA was flat at R15,5 million. The segment's DSO improved from 40 days at the end of September 2015 to 36 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 initiatives 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 emphasis on 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.

Revenue from the Training and Consulting operations was negatively affected by cancellations and delays primarily related to SETA related contracts. This saw revenue decline by 22% from R21,5 million to R16,8 million for the period under review. Given the high fixed costs inherent in this segment's operations and the drop in revenue experienced during this period, operating profit was negatively impacted, resulting in a decrease of 30% from R2,1 million to R1,5 million, whilst EBITDA decreased by 30% from R2,3 million to R1,6 million. DSO remained high at 83 days compared to 76 days for the comparable period. Efforts to change the operating model for this unit to incorporate a more variable cost base are underway.

BOARD

CS Shiceka-Ntshingila was appointed as Chairperson on 31 March 2016 and DC Seaton resigned as a director on 21 April 2016. There were no other changes to the Board during the period under review.

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, the Group is targeting both organic and acquisitive opportunities in line with its well-developed national business support services capability.

On behalf of the Board

CS Shiceka-Ntshingila
Chairperson

M Abel
Chief Executive Officer

R Sack
Financial Director

22 November 2016
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CORPORATE INFORMATION

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DIRECTORS

CS Shiceka-Ntshingila* (Chairperson), 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

TRANSFER SECRETARIES

Computershare Investor Services (Pty) Ltd, 70 Marshall Street, Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)

AUDITORS

Baker Tilly SVG, Third Floor, 35 Ferguson Road, Illovo, 2196

SPONSORS

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





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