



unaudited interim financial results
for the six months ended 30 September 2018



condensed consolidated **statement of comprehensive income**

For the six months ended 30 September 2018

	Unaudited September 2018 R'000	Unaudited September 2017 R'000	Audited March 2018 R'000
Revenue	386 982	347 906	725 289
Cost of sales	(333 639)	(293 229)	(618 287)
Gross profit	53 343	54 677	107 002
Other income	6	86	1 069
Operating expenses	(42 347)	(44 669)	(85 817)
Operating profit	11 002	10 094	22 254
Interest received	102	135	268
Interest paid	(311)	(1 195)	(2 249)
Profit before taxation	10 793	9 034	20 273
Taxation	(1 474)	(1 101)	(586)
Profit and total comprehensive income	9 319	7 933	19 687
Profit and total comprehensive income attributable to:			
Ordinary shareholders of the Company	9 212	7 791	19 544
Non-controlling interest	107	142	143
Profit and total comprehensive income	9 319	7 933	19 687
Basic and diluted earnings per shares (cents)	10.23	8.65	21.70

condensed consolidated **statement of financial position**

as at 30 September 2018

	Unaudited September 2018 R'000	Unaudited September 2017 R'000	Audited March 2018 R'000
ASSETS			
Non-current assets	42 669	44 213	44 936
Equipment and vehicles	4 745	5 535	5 514
Investment property	6 445	7 045	6 445
Goodwill	21 178	21 178	21 178
Intangible assets	538	–	646
Deferred tax asset	9 763	10 455	11 153
Current assets	148 229	114 618	127 311
Inventories	113	159	162
Trade and other receivables	142 414	111 371	122 707
Taxation receivable	–	216	–
Cash and cash equivalents	5 702	2 872	4 442
TOTAL ASSETS	190 898	158 831	172 247
EQUITY AND LIABILITIES			
Capital and reserves	130 556	112 291	122 686
Ordinary share capital and share premium	2 672	2 672	2 672
Retained earnings	152 169	134 012	144 406
Treasury shares	(16 279)	(16 279)	(16 279)
Equity attributable to equity holders of the Company	138 562	120 405	130 799
Non-controlling interests	(8 006)	(8 114)	(8 113)
Current liabilities	60 342	46 540	49 561
Trade and other payables	49 577	32 810	36 498
Bank borrowings	10 765	13 730	13 063
TOTAL EQUITY AND LIABILITIES	190 898	158 831	172 247

condensed consolidated **statement of changes in equity**

for the six months ended 30 September 2018

	Unaudited September 2018 R'000	Unaudited September 2017 R'000	Audited March 2018 R'000
Balance at beginning of period	122 686	106 170	106 170
Total comprehensive income – profit	9 212	7 791	19 544
Dividends paid	(1 449)	(1 812)	(3 171)
Non-controlling interest	107	142	143
Balance at end of period	130 556	112 291	122 686

condensed consolidated **statement of cash flows**

for the six months ended 30 September 2018

	Unaudited September 2018 R'000	Unaudited September 2017 R'000	Audited March 2018 R'000
Profit before taxation	10 793	9 034	20 273
Adjustment for non-cash items	891	790	1 927
Operating cash flows before working capital changes	11 684	9 824	22 200
Net working capital changes	(6 579)	19 554	11 903
Taxation (paid)/refunded	(84)	418	451
Cash flows generated from operating activities	5 021	29 796	34 554
Cash flows utilised in investing activities	(13)	(2 812)	(3 974)
Cash flows utilised in financing activities	(1 450)	(1 812)	(3 171)
Net increase in cash and cash and cash equivalents	3 558	25 172	27 409
Cash and cash equivalents at beginning of period	(8 621)	(36 030)	(36 030)
Cash and cash equivalents at end of period	(5 063)	(10 858)	(8 621)

segmental analysis

for the six months ended 30 September 2018

	Unaudited September 2018 R'000	Unaudited September 2017 R'000	Audited March 2018 R'000
Revenue: sales to external customers			
Staffing Services	376 587	332 740	700 243
Training and Consulting Services	10 395	15 166	25 046
Total	386 982	347 906	725 289
Revenue: inter-segment revenue			
Staffing Services	–	–	–
Training and Consulting Services	90	–	30
Total	90	–	30
Business segment operating profit results			
Staffing Services	16 844	18 323	38 182
Training and Consulting Services	(1 286)	(1 927)	(5 901)
Shared Services	(4 556)	(6 302)	(10 027)
Operating profit	11 002	10 094	22 254
Interest received	102	135	268
Interest paid	(311)	(1 195)	(2 249)
Profit before taxation	10 793	9 034	20 273
Business segment EBITDA			
Staffing Services	17 131	19 879	39 295
Training and Consulting Services	(1 008)	(1 580)	(5 362)
Shared Services	(4 368)	(5 237)	(9 084)
Total	11 755	13 062	24 849

notes

1. BASIS OF PREPARATION

The condensed consolidated interim financial statements are prepared in accordance with IAS 34 Interim Financial Reporting, the Financial Reporting 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 International Financial Reporting Standards ("IFRS") and are consistent with those applied in the previous annual financial statements. IFRS 9 and IFRS 15 had no material effect on the Group's results. The results were prepared by the Group Financial Director, Mr R Sack CA(SA).

2. HEADLINE EARNINGS PER SHARE

	Unaudited September 2018 R'000	Unaudited September 2017 R'000	Audited March 2018 R'000
Attributable earnings	9 212	7 791	19 544
Headline earnings adjustments			
• Loss on disposal of equipment and vehicles	4	10	67
• Impairment of investment in property	–	–	600
• Impairment of intangible assets	108	–	–
Attributable headline earnings before tax impact	9 324	7 801	20 211
Tax impact of adjustments	(30)	(3)	(273)
Attributable headline earnings	9 294	7 798	19 938
Headline earnings and diluted headline earnings per share (cents)	10.32	8.66	22.14

3. NET ASSET VALUE PER SHARE

	Unaudited September 2018 R'000	Unaudited September 2017 R'000	Audited March 2018 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)	154	134	144
Tangible net asset value per share (cents)	119	99	109

notes

4. DIVIDEND

Notice is hereby given that a gross cash dividend of 1.50 cents per share for the interim period was declared on Friday, 23 November 2018, 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, 15 January 2019
Date trading commences "ex" dividend	Wednesday, 16 January 2019
Record date	Friday, 18 January 2019
Date of payment	Monday, 21 January 2019

Ordinary share certificates may not be dematerialised or rematerialised between Wednesday, 16 January 2019 and Friday, 18 January 2019, 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, 21 January 2019.

5. 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.

6. AUDITOR'S RESPONSIBILITY

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

7. 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 nor audited by the Group's external auditors, Mazars.

commentary

Primeserv is an investment holding company and a leading provider of integrated business support services focused on client-centric human capital services, spanning staffing and recruitment services, productivity and functional outsourcing services as well as training and consulting services. We align our customised services to our clients' needs, optimising 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 prioritise business objectives, so as to achieve their strategic goals. Primeserv has a strong focus on workplace flexibility solutions which are aligned to government initiatives aimed at enhancing youth employment opportunities, and on the development of labour force skills through its training and learnership programmes, with a particular emphasis on the up-skilling of youth in South Africa.

Group revenue for the 6 month review period has increased by 11% from R347.9 million to R387 million with operating profit increasing by 9% from R10.1 million to R11 million. A slight decrease in gross profit has been offset by stringent cost containment, whilst strong cash flows have seen overall finance costs decreasing by nearly 80% from an aggregate R1.1 million to R0.2 million. The Group's profit before taxation has increased by 20% from R9 million to R10.8 million. Earnings per share has increased by 18% from 8.65 cents per share for the 6 months ended 30 September 2017 to 10.23 cents per share for the six months under review. Headline earnings per share have improved by 19% from 8.66 cents per share to 10.32 cents per share. Cash flows from operating activities are lower than when compared with the comparable period. This is attributable to the collection of significant overdue amounts last year, rather than to any intrinsic issue this year, albeit that there has been a large increase in trade receivables given timing differences as a result of payment terms granted to certain clients who make payment after the period end. The Group's Days Sales Outstanding ("DSO") has increased from 49 days at the end of the comparable period to 57 days at the end of the current reporting period, however, all significant amounts due were collected after the reporting period. Gearing has decreased from 6.6% at the end of March 2018 to 3.7% at the end of September 2018, and interest cover has improved from 11 times at the end of March 2018 to 53 times at the end of the six months under review. The overall improved performance is reflected in the tangible net asset value per share increasing by 20% from 99 cents per share to 119 cents per share, with the overall net asset value per share increasing by 15% from 134 cents per share to 154 cents per share.

The Staffing Services segment increased its revenue by 13% from R332.7 million to R376.6 million with its operating profit lower by 8% from R18.3 million to R16.8 million. The segment's DSO has increased from 52 days at the end of March 2018 to 56 days at the end of September 2018, for reasons as described above. The blue-collar staffing unit, which specialises in servicing the logistics, warehousing and distribution centre market, as well as the wholesale and retail, manufacturing and construction sectors, delivered a reasonable performance given the recessionary economy. The white-collar professional draughting and engineering staffing unit delivered a solid performance. The staffing unit servicing the power generation sector experienced extreme margin pressure, whilst the unit servicing the financial services industry was subject to erratic volumes.

The Training and Consulting Services segment has gone some way to reversing the prior year's performance and consequently produced a reduced loss for the period. As indicated in the commentary to the results for the year ended March 2018, it is anticipated that the business will return to profitability in the medium term. Revenue in the segment has decreased by 31% from R15.2 million in the comparable period to R10.4 million during the current review period, primarily due to the introduction of new products and services being phased in only towards the end of the reporting period. The segment's DSO, which remain a function of SETA-related payment cycles, has improved slightly from 78 days at the end of September 2017 to 77 days at the end of the current reporting period.

commentary continued

Board and Transformation

After having served on the Board for many years, Michael Judin decided not to stand for re-election and will be replaced by a suitably qualified candidate. The Group thanks him for his commitment and long service to the Group.

Transformation at Board and operating staff levels remains a Group imperative with all new appointments favouring candidates with B-BBEE transformation credentials. The Group also remains committed to strengthening its B-BBEE scorecards through preferential procurement and skills development programmes aimed at the advancement of South Africa's youth and the unemployed.

Outlook

Whilst market conditions remain tough, the Group continues to seek out those opportunities that can add meaningful and sustainable value to the Group's strategy of growing its integrated business support services throughout southern Africa.

Directors

CS Ntshingila[#] (Chairperson), M Abel (CEO), JM Judin^{**}, LM Maisela^{*}, DL Rose[^], R Sack (FD)

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

On behalf of the Board

CS Ntshingila
Chairperson

M Abel
CEO

R Sack
FD

23 November 2018, Illovo

corporate information

Primeserv Group Limited

(Incorporated in the Republic of South Africa)
Registration number: 1997/013448/06
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ISIN: ZAE000039277

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