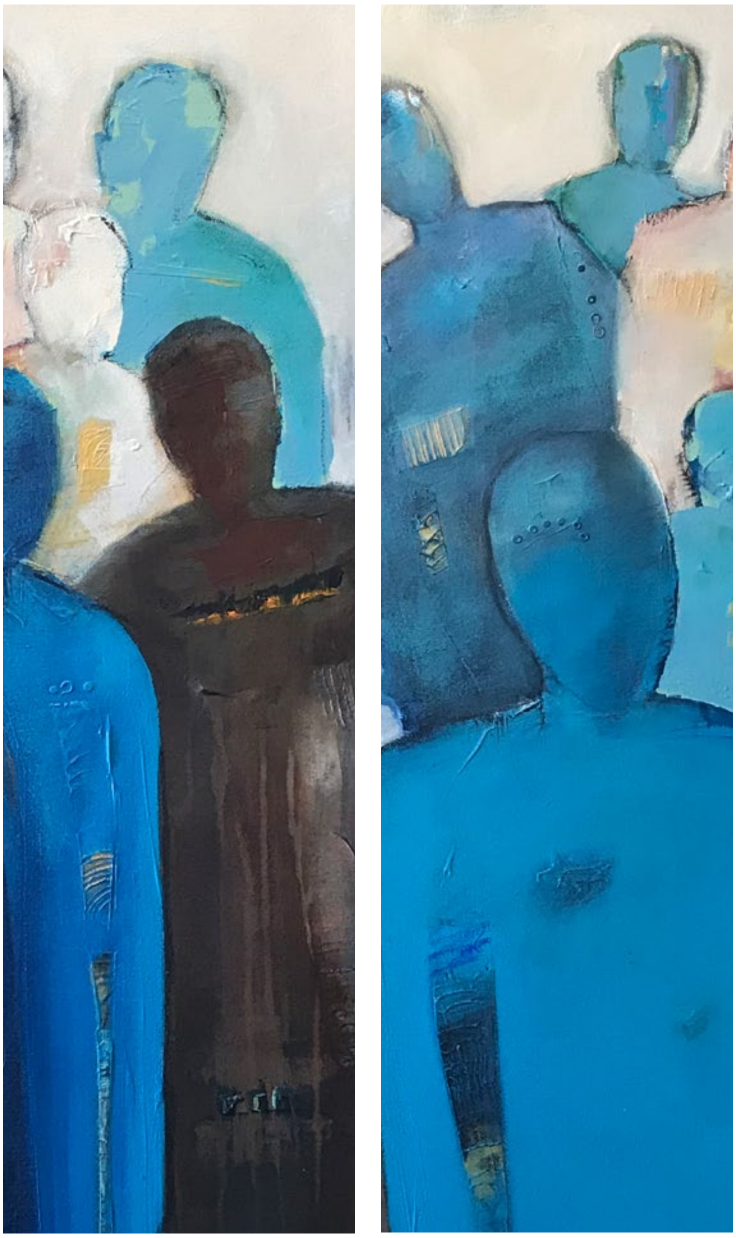
twentytwentyone



reviewed results

for the year ended
31 march 2021

primeserv

condensed consolidated

statement of profit and loss and other comprehensive income

for the year ended 31 March 2021

	Reviewed March 2021 R'000	Audited March 2020 R'000
Revenue	737 259	807 658
Cost of sales	(647 553)	(694 294)
Gross profit	89 706	113 364
Other income	172	802
Operating expenses	(77 123)	(86 916)
Operating profit	12 755	27 250
Interest income	1 246	650
Interest expense	(651)	(1 118)
Profit before taxation	13 350	26 782
Taxation	(975)	(2 498)
Profit and total comprehensive income	12 375	24 284
Profit and total comprehensive income attributable to:		
Ordinary shareholders of the company	17 219	26 717
Non-controlling interest	(4 844)	(2 433)
Profit and total comprehensive income	12 375	24 284
Basic earnings per share and diluted earnings per share (cents)	20.15	30.73

statement of financial position

as at 31 March 2021

	Reviewed March 2021 R'000	Audited March 2020 R'000
ASSETS		
Non-current assets	42 386	43 315
Equipment and vehicles	4 175	4 783
Investment property	3 500	4 250
Right-of-use assets	2 555	5 547
Goodwill	23 851	21 178
Deferred tax asset	8 305	7 557
Current assets	187 341	189 770
Inventories	53	54
Trade and other receivables	141 670	156 958
Cash and cash equivalents	45 618	32 758
Total assets	229 727	233 085
EQUITY AND LIABILITIES		
Capital and reserves	169 985	160 547
Ordinary share capital and share premium	2 490	2 672
Treasury shares	(14 589)	(19 370)
Retained earnings	197 458	187 775
Equity attributable to equity holders of the company	185 359	171 077
Non-controlling interests	(15 374)	(10 530)
Non-current liabilities	5 053	2 077
Lease liabilities	126	2 077
Contingent consideration	3 361	–
Deferred tax	1 566	–
Current liabilities	54 689	70 461
Trade and other payables	38 566	47 422
Lease liabilities	2 612	3 820
Contingent consideration	4 639	–
Bank borrowings	8 872	19 219
Total equity and liabilities	229 727	233 085

condensed consolidated

statement of changes in equity

for the year ended 31 March 2021

	Share capital R'000	Share premium R'000	Treasury shares R'000	Retained earnings R'000	Equity attributable to equity holders of the company R '000	Non-controlling interests R'000	Total equity R'000
Opening balances at 1 April 2019	1 321	1 351	(17 292)	164 589	149 969	(8 097)	141 872
Total comprehensive income – profit	–	–	–	26 717	26 717	(2 433)	24 284
Dividends paid (4.00 cents per share)	–	–	–	(3 531)	(3 531)	–	(3 531)
Acquisition of treasury shares	–	–	(2 078)	–	(2 078)	–	(2 078)
Audited: Balance at 1 April 2020	1 321	1 351	(19 370)	187 775	171 077	(10 530)	160 547
Total comprehensive income – profit	–	–	–	17 219	17 219	(4 844)	12 375
Dividends paid (3.00 cents per share)	–	–	–	(2 579)	(2 579)	–	(2 579)
Shares cancelled	(91)	(91)	5 139	(4 957)	–	–	–
Acquisition of treasury shares	–	–	(358)	–	(358)	–	(358)
Reviewed: Closing balances at 31 March 2021	1 230	1 260	(14 589)	197 458	185 359	(15 374)	169 985

statement of cash flows

for the year ended 31 March 2021

	Reviewed March 2021 R'000	Restated* March 2020 R'000
Cash flows from operations	30 659	38 103
Interest income	1 246	650
Interest expense	(651)	(1 118)
Taxation paid	(157)	(210)
Cash flows generated from operating activities	31 097	37 425
Cash flows utilised in investing activities	(829)	(1 039)
• purchase of equipment and vehicles	(829)	(1 039)
Cash flows utilised in financing activities	(7 061)	(10 469)
• acquisition of treasury shares	(358)	(2 078)
• repayment of lease liabilities*	(4 124)	(4 860)
• dividends paid	(2 579)	(3 531)
Net increase in cash and cash equivalents	23 207	25 917
Cash and cash equivalents at beginning of year	13 539	(12 378)
Cash and cash equivalents at end of year	36 746	13 539

** Repayment of lease liabilities restated – amount for prior year had been included as part of operating activities.*

segmental analysis

for the year ended 31 March 2021

	Reviewed March 2021 R'000	Audited March 2020 R'000
Revenue: sales to external customers		
Integrated Business Support Services	737 259	807 658
Shared Services	–	–
Total	737 259	807 658
Revenue: inter-segment sales		
Integrated Business Support Services	–	69
Shared Services	–	–
Total	–	69
Business segment operating profit		
Integrated Business Support Services	27 562	36 921
Shared Services	(14 807)	(9 671)
Operating profit	12 755	27 250
Interest income	1 246	650
Interest expense	(651)	(1 118)
Profit before taxation	13 350	26 782
Business segment core operating profit*		
Integrated Business Support Services	27 562	36 921
Shared Services	(9 480)	(9 671)
Core operating profit	18 082	27 250

** Excluding the impairment of goodwill*

	Reviewed March 2021 R'000	Audited March 2020 R'000
Business segment EBITDA#		
Integrated Business Support Services	32 618	38 494
Shared Services	(8 572)	(8 280)
Total	24 046	30 214

 # EBITDA is defined as Earnings Before Interest, Tax, Depreciation and Amortisation

	Reviewed March 2021 R'000	Audited March 2020 R'000
Business segment assets		
Integrated Business Support Services	210 812	215 541
Shared Services	18 915	17 544
Total assets	229 727	233 085
Business segment liabilities		
Integrated Business Support Services	52 719	60 251
Shared Services	7 023	12 287
Total liabilities	59 742	72 538

Basis of preparation

The reviewed condensed consolidated results for the year ended 31 March 2021 have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and Financial Pronouncements as issued by the Financial Reporting Standards Council. The report contains the information required by International Accounting Standard (IAS) 34: Interim Financial Reporting, and are in compliance with the Companies Act and the Listings Requirements of the JSE Limited. The accounting policies as well as the methods of computation used in the preparation of the results for the year ended 31 March 2021 are in terms of IFRS and are consistent with those applied in the audited annual financial statements for the year ended 31 March 2020. The results are presented in South African Rands, which is Primeserv's reporting currency, and are rounded to the nearest thousand.

The company's directors are responsible for the preparation and fair presentation of the reviewed condensed consolidated results. These results have been prepared by the group Financial Director (FD), Mr R Sack, CA(SA).

Auditor's review

The results have been reviewed by the group's auditors, Mazars. Their unqualified review opinion is available for inspection on the company's website. Their review was conducted in accordance with ISRE 2410 "Review of interim financial information performed by the independent auditor of the entity".

Headline earnings per share

	Reviewed March 2021 R'000	Audited March 2020 R'000
Attributable earnings	17 219	26 717
Headline earnings adjustments		
• Goodwill impairment	1 962	–
• Loss on disposal of equipment and vehicles	179	13
• Fair value adjustment of investment in property	750	1 495
• Tax effect in respect of adjustments	(218)	(338)
Attributable headline earnings	19 892	27 887
Headline earnings and diluted headline earnings per share (cents)	23.28	32.08
Weighted average number of shares at year end ('000)	85 457	86 942

Net asset value per share

	Reviewed March 2021 R'000	Audited March 2020 R'000
Number of shares in issue at end of year (net of treasury shares) ('000)	85 153	85 594
Net asset value per share (cents)	218	200
Tangible net asset value per share (cents)	182	166

Contingent consideration

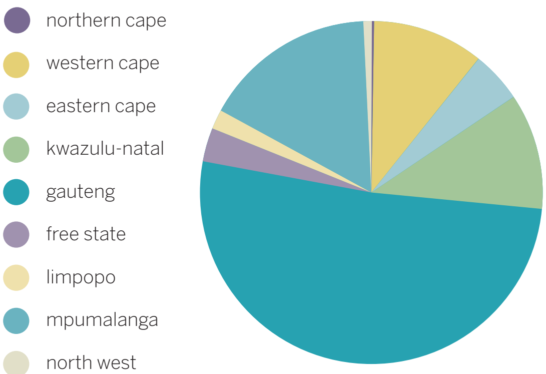
Amounts payable to vendors for businesses acquired that are subject to profit warranties are treated as contingent considerations. The final values payable will be determined based on an agreed formula. The initial estimate is the estimated fair value of the income that is reasonably expected to be achieved over the warranty period and is based on agreed budgets and forecasts and the existing customer mix. Amounts achieved in excess of the initial estimate will result in an increase in the related liability, limited to the amounts as agreed with the vendors. All amounts will be settled in cash.

	Reviewed March 2021 R'000	Audited March 2020 R'000
Balance at beginning of the year	–	–
Contingent consideration arising	8 455	–
Less: Paid to vendors for fixed assets acquired	(455)	–
Goodwill recognised	8 000	–

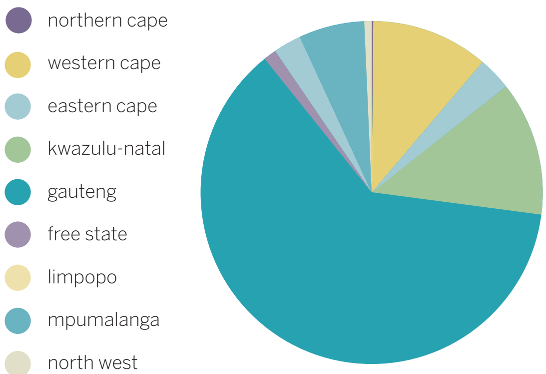
The contingent consideration relates to the acquisition of the business of the Lapace group of companies with effect from 17 April 2020 and reflects the improvement in the business since the interim reporting date when no amount was expected to be paid. The business is expected to enhance Primeserv's operations in the artisan and skilled labour temporary employment services sector. The goodwill arising on the transaction relates to the anticipated synergies through the integration of the Lapace business into that of Primeserv. None of the goodwill is expected to be deductible for tax purposes. The contingent consideration has been apportioned on the statement of financial position between current liabilities and non-current liabilities to reflect when the amounts are anticipated to be paid. The purchase price includes the acquisition of fixed assets amounting to R455 000. No other assets or liabilities were acquired.

Disaggregation of revenue

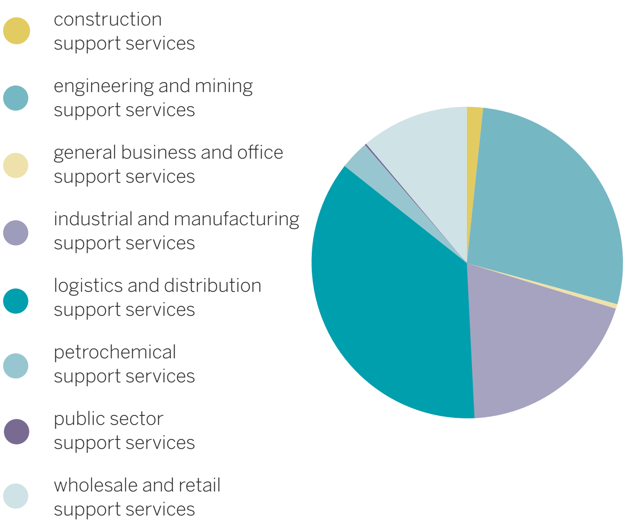
Integrated Business Support Services sales by geographic region
year ended 2021



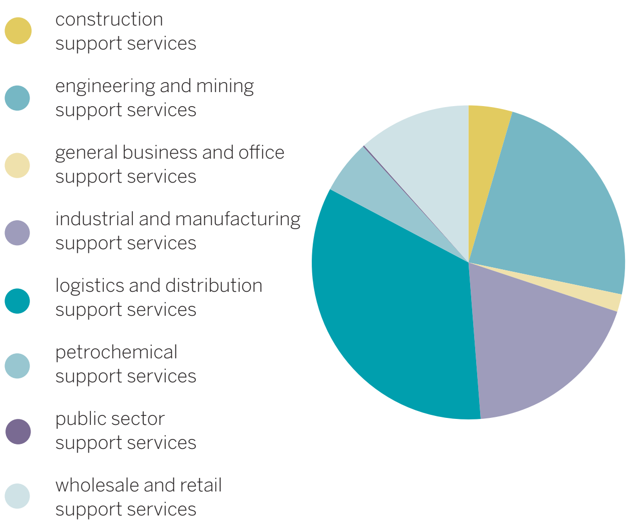
Integrated Business Support Services sales by geographic region
year ended 2020



Integrated Business Support Services sales by business and industry sector
year ended 2021



Integrated Business Support Services sales by business and industry sector
year ended 2020



Final dividend

Notice is hereby given that a gross cash dividend of 2.50 cents per share for the year ended 31 March 2021 was declared on Tuesday, 22 June 2021, 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 dividend are as follows:

Last date to trade "cum" dividend	Tuesday, 13 July 2021
Date trading commences "ex" dividend	Wednesday, 14 July 2021
Record date	Friday, 16 July 2021
Date of payment	Monday, 19 July 2021

Ordinary share certificates may not be dematerialised or rematerialised between Wednesday, 14 July 2021 and Friday, 16 July 2021, both days inclusive.

Shareholders who are not exempt from the Dividend Withholding Tax of 20% will therefore receive a net dividend of 2.00 cents per share. The company has 122 967 031 ordinary shares in issue and its income tax reference number is 9408/002/71/6. The dividend is being paid out of income reserves. Shareholders are further advised that the dividend declared is the final dividend for the year ended 31 March 2021.

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. Ordinary shareholders who hold dematerialised shares will have their accounts credited at their Central Securities Depository Participant (CSDP) or broker on Monday, 19 July 2021.

Events after the reporting date

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

Covid-19

Management are continually assessing and monitoring developments with regards to the Covid-19 pandemic and at the time of finalising the report are confident that the group's responses to date are adequate and that the situation is being continuously monitored to assess the effect on the financial position of the group. Should current circumstances change to the extent that would negatively impact the group's operating environment, the group will implement its proactive operational sustainability plan accordingly.

Directors

DL Rose# (Chairperson), M Abel (CEO), B Kali*, LM Maisela#, R Sack (FD)

*#Independent non-executive *Non-executive*

On behalf of the Board

DL Rose	M Abel	R Sack
Chairperson	*CEO*	*FD*

22 June 2021
Illovo, Sandton

The Covid-19 pandemic, catastrophic for so many across the world and here in South Africa, created unprecedented challenges.

Whilst our business has been fortunate to weather the huge impact that this pandemic storm has wreaked, it would not have been possible without the outstanding efforts and unwavering commitment of our people, and the loyalty and support of our valued customers and service providers whose partnerships made all the difference. To you all, our profound appreciation.

We are pleased to report that Primeserv delivered another year of profitable results, with strong year on year operational cash flows and a characteristic further strengthening of its ungeared balance sheet.

The impact of the Covid-19 pandemic affected the group for the entirety of the financial year under review. This was most hard felt in the first quarter of this past financial year, when the national lockdown was at its most stringent. Management's immediate and proactive response to the hard lockdown resulted in the group being able to not only adapt but also to modify and even enhance its comprehensive range of Integrated Business Support Services to meet its customers' needs during this period. This was operationally critical for those customers classified under the lockdown as delivering essential services. In these instances, Primeserv's well developed and tested business continuity plans were actioned on demand and were effective in ensuring uninterrupted full-service delivery capability to all its customers nationwide. Not only did this result in a continuous service delivery to customers facing Covid-19 related challenges, but also enabled the group to maintain certain of its key revenue streams during the hard lockdown. These actions resulted in some stabilisation of revenue in the second quarter. The second half of the year under review saw a solid upturn in overall revenue levels within some of the group's main operating sectors. Hence full year revenue declined by only 8.7 percent year-on-year from R807.7 million to R737.3 million. Unfortunately, there were certain sectors of the economy and, in particular, some of the group's customers who were unable to operate throughout the lockdown which resulted in a drastic falloff in revenue and which, in some instances, has still not recovered.

As stated in the group's interim report, management acted swiftly in response to the government mandated hard lockdown, so as to ensure the group's business sustainability. Capital and operating expenditure were curtailed where possible in order to align the operational cost base to the sudden drop in revenue. Strategically, Primeserv maintained its nationwide infrastructure and its full-service capability and capacity in order to continue delivering its full suite of Integrated Business Support Services so as to support its customers through this uncertain and constantly evolving environment. To this end operations remained fully resourced to meet both service delivery fluctuations and anticipated improvements across the group's trading environment particularly as the lockdown was eased. A direct consequence of the pandemic induced lockdown was a change in both customer margin mix and customer margin retention which negatively impacted the group's overall operating margins for the year as a whole. Margins were further eroded as Primeserv partnered with certain customers, who were not deemed as essential service providers during the heightened lockdown, in costly initiatives aimed at saving key skills and jobs that were under threat of being lost for a time due to the lockdown. Of further significance was the substantial loss of revenue and operating margin as a consequence of the almost complete cessation of training and skills development support services during the year under review. Gross profit for the year decreased by 20.9 percent from R113.4 million to R89.7 million. Notwithstanding these extremely difficult operating conditions, the group's rapid response to the pandemic and the resultant lockdown resulted in a successfully managed outcome. Operating expenses, excluding the goodwill impairment, were managed down by 17.4 percent from R86.9 million to R 71.8 million. Goodwill to the value of R5.3 million was impaired as consequence of the impact that the pandemic and associated lockdown had on certain sectors and components of the group's services offering. EBITDA for the year ended 31 March 2021 decreased by 20.4 percent from R30.2 million to R24.0 million. Interest received improved from R0.7 million to R1.2 million for the 12 month period, while interest paid on bank borrowings decreased from R0.8 million for the comparable period to R0.3 million for the current reporting period. These positive changes resulted from strong debtor collections and a reduction in working capital required during the first half of the year as a consequence of lower revenue during that period. Notably the group did not avail itself of any of the relief measures offered by government that were intended to ease constraints on working capital. The group settled all of its statutory and other obligations in full and on time throughout the reporting period. Operating profit, including the effects of the goodwill impairment, reduced from R27.3 million to R12.8 million for the review period, however, core operating profit, excluding the effect of the goodwill impairment, reduced from R27.3 million to R18.1 million for the financial year. Core earnings before tax (i.e. excluding the goodwill impairment) were down by 30.2 percent from R26.8 million to R18.7 million compared to the prior year. This is indicative of a resilient operating performance, particularly in the second half of the year. Profit and total comprehensive income including the goodwill impairment decreased year-on-year by 49.0 percent from R24.3 million to R12.4 million. Basic earnings per share and diluted earnings per share decreased by 34.4 percent from 30.73 cents per share to 20.15 cents per share for the current reporting period, whilst headline earnings per share and diluted headline earnings per share decreased by 27.4 percent from 32.08 cents per share to 23.28 cents per share. Notwithstanding a full year of trading under some level of lockdown, combined with the difficulties and obstacles arising out of doing business under the constraints of a pandemic, the group maintained a strong control on its financial resources, resulting in not only a profitable outcome, but also generating strong operational cash flows and an enhanced and ungeared balance sheet at year end. Net cash increased by 171.4 percent from R13.5 million to R36.7 million at the close of the financial year under review. Net asset value per share increased by 9.0 percent from 200 cents per share to 218 cents per share, and the group's tangible net asset value increased by 9.6 percent from 166 cents per share to 182 cents per share at the end of March 2021.

As previously reported, Primeserv has since the onset of the pandemic implemented various extraordinary measures to safeguard the health and safety of its people through the implementation of stringent Covid-19 specific protocols. These included the issuing of appropriate personal protective equipment, reconfiguring work sites and spaces, facilitating remote working capability where practically and operationally feasible, and providing wellness support where needed. A key focus for the group during the past year has been to mitigate risk where possible and to manage the overriding imperative of business sustainability whilst seeking to counterbalance this with a responsibility to maintain and retain skills and minimise job losses where possible given the exigencies of the group's business.

Primeserv's Integrated Business Support Services offering remained robust throughout the year under review, characterised as it was by a continuous Covid-19 related lockdown of varying restrictive levels. The group was consistently able to meet all its customers' differing service demands without compromising Primeserv's customer centric service excellence. More specifically the group's specialised staffing, training and related fulfilment support services business unit, servicing a broad spectrum of the national logistics, distribution centre, warehousing and wholesale and retail sector, experienced a demanding and solid year, managing complex support services to its customers operating as essential service providers across key points of the South African supply chain. Support services to the professional engineering, design and draughting sector remained relatively stable throughout the year. The units servicing the construction, heavy engineering, industrial manufacturing and project mining sectors were in many instances severely affected by the hard lockdown and some were still in early stages of recovery some twelve months later. Support services to the broader general market encompassing the other sectors of the economy serviced by the group experienced differing degrees of activity from almost no revenue generation to below average activity when compared to the prior year. The Lapace business acquired early in the year under review was hampered by the lockdown but started to see a return to more normalised levels of trading in the latter part of the year. The training and skills development services unit experienced a dramatic falloff of business during the first half of the year as a result of its business being primarily face to face training, some of which was not able to be carried out remotely or via an online platform. In the second half of the year there was a move to online training delivery where possible and some resumption of face to face customer interaction, however, this remained limited given pandemic safety protocols. Consequently, this unit will take some time to return to prior levels of revenue.

Substantial advancement was made in furthering the black women ownership component across the group's primary operating entities by the close of the financial year under review. This resulted in increased black women equity ranging from 25.1 percent to over 50 percent within these entities. Ongoing Broad-Based Black Economic Empowerment, diversity, inclusion and equity initiatives remain key imperatives for Primeserv as it continues to enhance its commitment to meaningful and sustainable transformation.

Whilst the group is well positioned to respond positively to an improved trading environment, both from an organic and acquisitive perspective, there is still a high level of uncertainty as to when and how this will manifest. The regions and sectors across the group's operating environment continue to present ongoing challenges and hence inherent pressures on short-term profitability exist. Consequently, visibility as to future trading performance remains unclear, leading Primeserv to take a cautiously optimistic view of the year ahead.

corporate information

Primeserv Group Limited

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

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Harris Marcus Mahlangu
Kirchmanns
Werksmans

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Grindrod Towers
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Bankers

FirstRand Bank Limited
Investec Bank Limited

Auditors

Mazars
54 Glenhove Road
Melrose Estate, 2196

Transfer secretaries

JSE Investor Services Proprietary Limited
Rennie House, 19 Ameshoff Street
Braamfontein, 2001

ince
Design and Brand Strategy: Blackhouse Studios • Hearts and Minds Marketing

MAJAA177

primeserv

integrated business support services

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