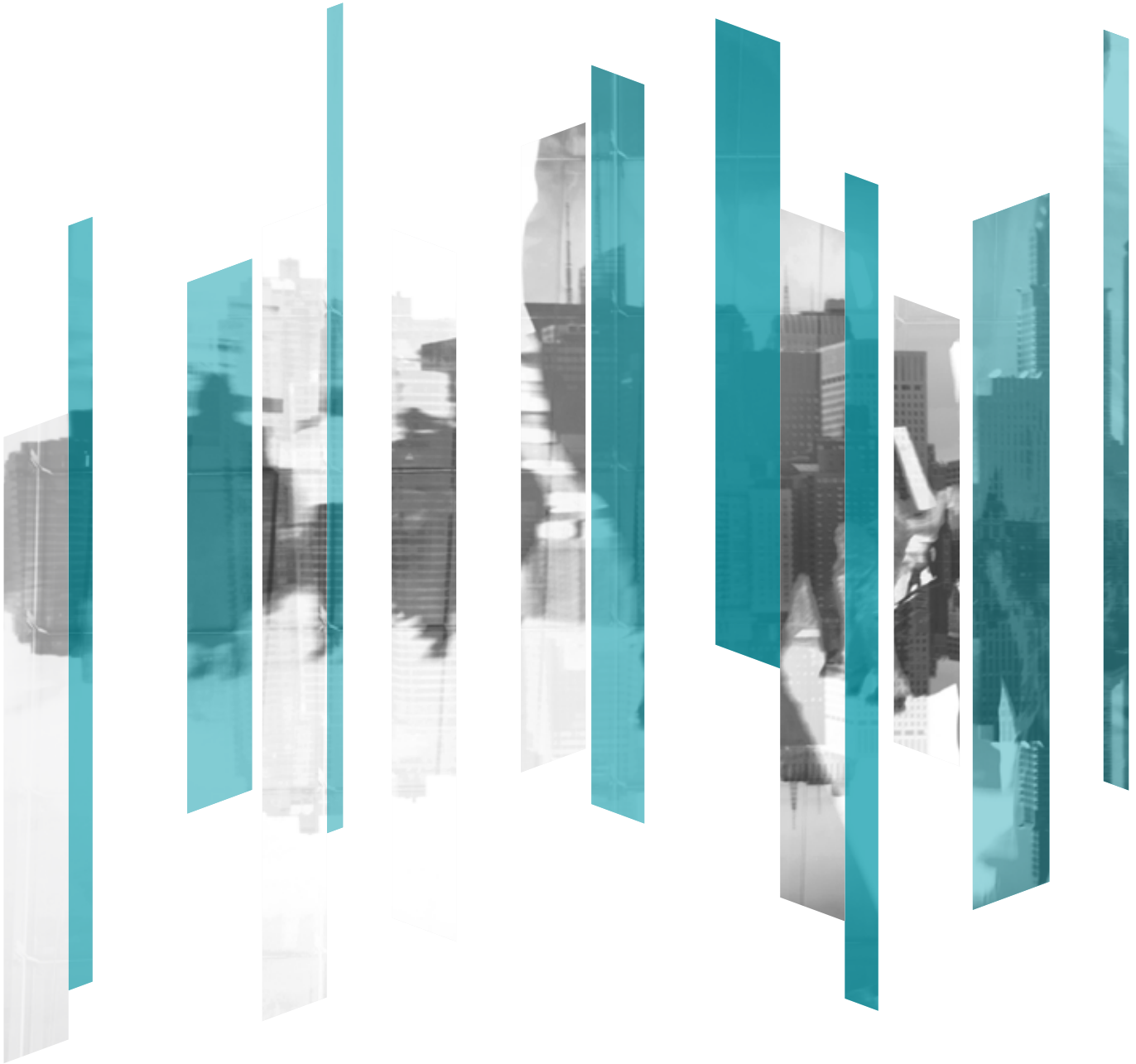


Reviewed results 20twenty2

For the year ended 31 march 2022



integrated business support services

Condensed consolidated statement of profit and loss and other comprehensive income

For the year ended 31 March 2022

	Reviewed March 2022 R '000	Restated Audited March 2021 R '000
Revenue	777 111	737 259
Cost of sales	(684 068)	(654 203)
Gross profit	93 043	83 056
Other income	4 233	172
Operating expenses	(78 390)	(77 123)
Operating profit	18 886	6 105
Interest income	1 661	1 246
Interest expense	(658)	(651)
Profit before taxation	19 889	6 700
Taxation	(157)	(975)
Profit and total comprehensive income	19 732	5 725
Profit and total comprehensive income attributable to:		
Ordinary shareholders of the company	17 618	9 091
Non-controlling interests	2 114	(3 366)
Profit and total comprehensive income	19 732	5 725
Basic earnings per share and diluted earnings per share (cents)	20.86	10.64



Condensed consolidated statement of financial position

As at 31 March 2022

	Reviewed March 2022 R '000	Restated Audited March 2021 R '000	Restated Audited March 2020 R '000
ASSETS			
Non-current assets	38 975	38 865	39 794
Equipment and vehicles	4 935	4 175	4 783
Investment property	3 500	3 500	4 250
Right-of-use assets	5 346	2 555	5 547
Goodwill and intangible asset	20 886	23 851	21 178
Deferred tax asset	4 308	4 784	4 036
Current assets	195 892	187 341	189 770
Inventories	56	53	54
Trade and other receivables	133 477	141 670	156 958
Contract assets	2 770	–	–
Cash and cash equivalents	59 589	45 618	32 758
Total assets	234 867	226 206	229 564
EQUITY AND LIABILITIES			
Capital and reserves	170 533	158 389	155 601
Ordinary share capital and share premium	2 405	2 489	2 671
Treasury shares	(16 681)	(17 039)	(21 820)
Retained earnings	193 519	186 835	185 280
Equity attributable to equity holders of the company	179 243	172 285	166 131
Non-controlling interests	(8 710)	(13 896)	(10 530)
Non-current liabilities	3 440	5 053	2 077
Lease liabilities	2 738	126	2 077
Contingent consideration	702	3 361	–
Deferred tax liability	–	1 566	–
Current liabilities	60 894	62 764	71 886
Trade and other payables	53 721	46 641	48 847
Lease liabilities	3 046	2 612	3 820
Contingent consideration	324	4 639	–
Taxation payable	3 803	–	–
Bank borrowings	–	8 872	19 219
Total equity and liabilities	234 867	226 206	229 564

Condensed consolidated statement of changes in equity

For the year ended 31 March 2022

	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 2020 as previously reported	1 321	1 350	(19 371)	186 352	169 652	(10 530)	159 122
Prior period error (refer notes 1.3 and 2)	–	–	(2 449)	(1 072)	(3 521)	–	(3 521)
Balances at 1 April 2020 restated	1 321	1 350	(21 820)	185 280	166 131	(10 530)	155 601
Total comprehensive income – profit – restated	–	–	–	9 091	9 091	(3 366)	5 725
Total comprehensive income – profit – as previously reported	–	–	–	17 219	17 219	(4 844)	12 375
Prior period error (refer note 1.2)	–	–	–	(1 478)	(1 478)	1 478	–
Prior period error (refer note 1.1)	–	–	–	(6 650)	(6 650)	–	(6 650)
Dividends paid (4.00 cents per share)	–	–	–	(2 579)	(2 579)	–	(2 579)
Shares cancelled	(91)	(91)	5 139	(4 957)	–	–	–
Acquisition of treasury shares	–	–	(358)	–	(358)	–	(358)
Restated balances at 1 April 2021	1 230	1 259	(17 039)	186 835	172 285	(13 896)	158 389
Total comprehensive income – profit	–	–	–	17 618	17 618	2 114	19 732
Dividends paid (4.00 cents per share)	–	–	–	(3 415)	(3 415)	–	(3 415)
Shares cancelled (2021)	(4)	(4)	358	(350)	–	–	–
Shares cancelled (2022)	(38)	(38)	–	(4 097)	(4 173)	–	(4 173)
Disposal to non-controlling interests	–	–	–	(3 072)	(3 072)	3 072	–
Reviewed: Closing balances at 31 March 2022	1 188	1 217	(16 681)	193 519	179 243	(8 710)	170 533

Condensed consolidated statement of cash flows

For the year ended 31 March 2022

	Reviewed March 2022 R '000	Audited March 2021 R '000
Cash flows from operations	34 763	30 659
Taxation paid	(210)	(157)
Interest income	1 661	1 246
Interest expense	(80)	(651)
Cash flows generated from operating activities	36 134	31 097
Cash flows utilised in investing activities	(2 145)	(829)
• purchase of equipment and vehicles	(2 145)	(829)
Cash flows utilised in financing activities	(11 146)	(7 061)
• acquisition of treasury shares	(4 173)	(358)
• repayment of lease liabilities	(3 558)	(4 124)
• dividends paid	(3 415)	(2 579)
Net increase in cash and cash equivalents	22 843	23 207
Cash and cash equivalents at beginning of year	36 746	13 539
Cash and cash equivalents at end of year	59 589	36 746



Segmental analysis

For the year ended 31 March 2022

	Reviewed March 2022 R'000	Restated Audited March 2021 R'000
Revenue: sales to external customers		
Total	777 111	737 259
Business segment operating profit results		
Integrated Business Support Services	35 322	20 912
Shared Services	(16 436)	(14 807)
Operating profit	18 886	6 105
Interest income	1 661	1 246
Interest expense	(658)	(651)
Profit before taxation	19 889	6 700
Business segment assets		
Integrated Business Support Services	167 989	207 291
Shared Services	66 878	18 915
Total assets	234 867	226 206
Business segment liabilities		
Integrated Business Support Services	59 598	60 794
Shared Services	4 736	7 023
Total liabilities	64 334	67 817
Business segment net assets		
Integrated Business Support Services	108 391	146 497
Shared services	62 142	11 892
Total	170 533	158 389



Notes

Basis of preparation

The reviewed condensed consolidated results for the year ended 31 March 2022 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 2022 are in terms of IFRS and are consistent with those applied in the audited annual financial statements for the year ended 31 March 2021. The results are presented in Rand, 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 provisional condensed consolidated results. These results have been prepared by the Group Financial Director, Mr R Sack, CA(SA).

Auditor's review

The results have been reviewed by the group's auditors, RSM South Africa Inc. Their unqualified review conclusion 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 2022 R '000	Restated Audited March 2021 R '000
Attributable earnings	17 618	9 091
Headline earnings adjustments		
• Goodwill impairment	–	1 962
• Loss on disposal of equipment and vehicles	–	179
• Fair value adjustment of investment in property	–	750
• Tax effect in respect of adjustments	–	(218)
Attributable headline earnings	17 618	11 764
Headline earnings and diluted headline earnings per share (cents)	20.86	13.77
Weighted average number of shares at year end ('000)	84 459	85 457

Net asset value per share

	Reviewed March 2022 R '000	Restated Audited March 2021 R '000
Number of shares in issue at end of year (net of treasury shares) ('000)	81 000	85 153
Net asset value per share (cents)	221	202

Notes continued

Prior year errors

1. During the current year, certain errors were identified in the consolidation process in prior years:
 - 1.1 In the 2021 year, accounts payable were understated by R6 650 000 and accordingly income was overstated by the same amount.
 - 1.2 In the 2021 year, the non-controlling interest in subsidiaries and the non-controlling interests' share of losses was overstated by R1 478 000.
 - 1.3 In the 2020 year, the deferred tax asset was overstated by R3 521 000 and accordingly income was overstated by the same amount.
2. Prior to 2020, accounting standards required the consolidation of share trusts controlled by a holding company. At the time of the initial consolidation of the Primeserv Group Limited Share Trust, an impairment against the loan to the share trust was not eliminated, resulting in the carrying value of the treasury shares being understated. The carrying value of the treasury shares has now been adjusted by R2 449 000 to reflect the initial cost of the acquisition of the shares.

Contingent Consideration

Amounts payable to vendors for businesses acquired in 2021 that are subject to profit warrants 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 client 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.

The contingent consideration relates to the acquisition of the business of the Lapace group of companies with effect from 17 April 2020. The business is expected to enhance Primeserv's operations in the artisan and skilled labour temporary employment services sector. The goodwill and intangible asset arising on the transaction relates to the anticipated synergies through the integration of the Lapace business into that of Primeserv. The contingent consideration has been apportioned on the statement of financial position between current and non-current to reflect when the amounts are expected to be paid. The purchase price includes the acquisition of fixed assets amounting to R455 000. No other assets or liabilities were acquired.

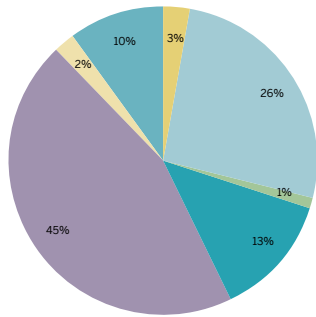
	Goodwill	Intangible asset	Contingent consideration	Deferred Tax
Opening balance	8 000	–	(8 000)	–
Remeasurement	(1 525)	–	1 525	–
Reallocation	(6 558)	6 558	–	–
Deferred tax	1 836	–	–	(1 836)
Release to profit and loss	–	–	5 450	–
Amortisation	–	(3 280)	–	–
Taxation	–	–	–	918
Closing balance	1 753	3 278	(1 025)	(918)
Release to income				5 450
Less: Amortisation				(3 280)
Net effect recognised in sundry income				2 170

The group re-measured the contingent consideration in the current year and adjusted the amount for present value and overmeasurement of R1.5 million, with a consequent adjustment to goodwill. Furthermore, an intangible asset for the contract list was determined of R6.5 million with necessary adjustments to deferred tax. This intangible asset is to be amortised over its useful life of four years. The above table reflects the current year movement on related accounts.

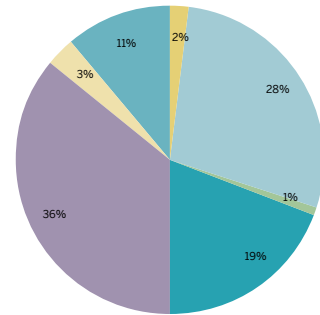
Notes continued

Disaggregation of revenue

Sales by sector YE 2022

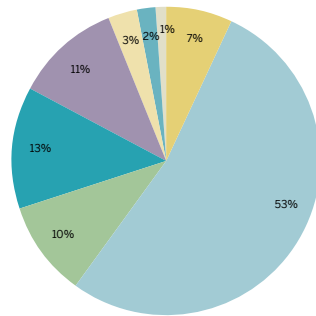


Sales by sector YE 2021

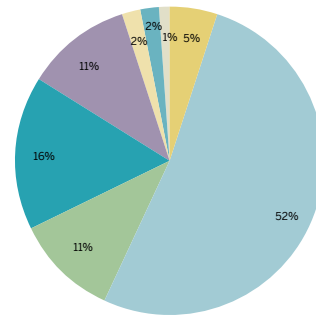


- Construction support services
- General business and office support services
- Engineering and mining project support services
- Industrial and manufacturing support services
- Logistics and distribution support services
- Petrochemicals support services
- Wholesale and retail support services

Sales by geographic region YE 2022



Sales by geographic region YE 2021



- Eastern Cape
- KwaZulu-Natal
- Gauteng
- Mpumalanga
- Western Cape
- Free State
- Limpopo
- Rest of South Africa

Notes continued

Final dividend

Notice is hereby given that a final gross cash dividend of 6.00 cents per share (2021: final gross dividend of 2.50 cents per share) for the year ended 31 March 2022 was declared on Friday, 15 July 2022, 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, 30 August 2022
Date trading commences "ex" dividend	Wednesday, 31 August 2022
Record date	Friday, 2 September 2022
Date of payment	Monday, 5 September 2022

Ordinary share certificates may not be dematerialised or rematerialised between Wednesday, 31 August 2022 and Friday, 2 September 2022, both days inclusive.

Shareholders who are not exempt from the Dividend Withholding Tax of 20% will therefore receive a net dividend of 4.80 cents per share. The Company has 120 217 525 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 2022.

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 CSDP or broker on Monday, 5 September 2022.

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.

Directors

DL Rose[#] (Chairperson), M Abel (CEO), B Kali^{*}, KM Matjila[#], LM Maisela[#], R Sack (FD)

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

On behalf of the Board

DL Rose
Chairperson

M Abel
CEO

R Sack
FD

15 July 2022
Illovo, Sandton

Commentary

Primeserv has for more than two decades been dedicated to providing innovative and customised Integrated Business Support Services to clients across a broad spectrum of the South African economy. The group delivers added-value solutions that enable human capital to enhance its clients' business objectives through increased workplace effectiveness and efficiencies that result in improved productivity and performance. Primeserv's Integrated Business Support Services focus on the implementation, management and measurement of human capital, made possible through a comprehensive range of services. These include specialised staffing services, functional outsourcing and productivity solutions, skills training and human resource consulting services and related fulfilment and support services.

The group delivered a solid performance despite a year in which its activities were severely affected by unprecedented challenges as a consequence of dealing with the ongoing Covid pandemic and its attendant lockdown restrictions, the devastating civil unrest and resultant impact on people, business and property, compounded by the catastrophic flooding in KwaZulu-Natal and its massive socio-economic outcome.

Results for the financial year ended 31 March 2022 saw revenue increase by 5 percent from R737.3 million to R777.1 million, with gross profit up by 12 percent from R83.1 million to R93.0 million. Operating expenses were well managed, increasing marginally by 2 percent from R77.1 million to R78.4 million. Operating profit increased by 210 percent from R6.1 million to R18.9 million. Net interest earned has risen from R0.6 million to R1.0 million, a consequence of the improved cash generation over the past year. Interest received increased by 31 percent from R1.3 million to R1.7 million. Interest paid on funds borrowed decreased by 67 percent from R0.3 million to R0.1 million. The group's net profit before tax has increased by 197 percent from R6.7 million to R19.9 million, with after-tax profit increasing by 245 percent from R5.7 million to R19.7 million. As detailed in this report, the group needed to restate elements of its prior year results consequent to prior year errors that were identified by management. The technical reasons behind this have been addressed and rectified. Earnings per share increased by 96 percent from 10.64 cents per share to 20.86 cents per share for the year under review, whilst headline earnings per share increased by 52 percent from 13.77 cents per share to 20.86 cents per share. Effective working capital management remained a key focus, underpinning the continued improvement in group cash generation resulting in the group's cash flows from operating activities increasing by 16 percent from R31.1 million in the prior year to R36.1 million in the current year. Funds returned to shareholders in the form of both dividends paid and share buy-backs increased by 162 percent year on year from R2.9 million to R7.6 million. At the end of the year the group closed on R59.6 million cash on hand and no borrowings, as compared to R45.6 million of cash on hand and borrowings of R8.9 million at the end of March 2021. A final gross cash dividend of 6.00 cents per share has been declared, up by 240 percent from the final cash dividend of 2.50 cents per share for the prior year.

As part of the group's ongoing commitment to advancing meaningful transformation, the past two years have seen the group complete two B-BBEE empowerment transactions in order to increase the black women ownership component in its operating subsidiaries. In consequence, there has been a significant increase in both the income attributable to these non-controlling interests and an attribution of value to them.

Throughout the year the key imperatives were an unrelenting focus on the health and wellbeing of Primeserv's people, combined with continuous delivery of client service excellence whilst ensuring uninterrupted business continuity and long-term sustainability.

Notwithstanding the negative pressure on operating margins allied with rising input costs as a consequence of the multiple challenges across the group's operating environment, the group maintained full operational capacity and service delivery capability across its entire national infrastructure. Continued investment was made in expanding the group's service network and support systems to ensure continuous improvement in the delivery of service excellence to all its clients. This ongoing programme is focused on investment in people and especially our youth, uplifting skills, increasing large scale capacity, infrastructure and systems and brand and marketing so as to drive revenue growth. Combined with the ongoing delayed return to pre-pandemic, pre-civil and pre-flood unrest affected trading, short-term earnings may be somewhat dampened.

The impact of this civil unrest and flooding had a negative effect on the overall operational performance of the group during the year which effect is still ongoing. Certain business across the logistics, wholesale and retail, and motor vehicle and industrial manufacturing sectors, particularly in KwaZulu-Natal, has in some instances not resumed at all or continues to be materially constrained. This has also had a knock-on effect across volumes countrywide. Costs have remained fixed as the group continues to maintain full service operational capability so as to be ready to meet the anticipated increase in service demand.

Commentary continued

The staffing support services business units specialising in servicing the warehousing, distribution and logistics and wholesale and retail sectors delivered a sound performance despite their difficult operating environment. Support services to the manufacturing, construction and engineering sectors continued to be affected by muted trading conditions, whilst project support services within the mining sector were robust. The group's specialised artisan staffing unit, servicing clients within the electricity power generation sector, was and continues to be negatively affected by unplanned and long delays or cancellations of maintenance projects and shutdowns. In consequence, the group has exited certain large, high risk, erratic and uneconomic contracts across the power generation sector.

The training services unit endured another extremely tough year. Due to a client profile and range of training programmes primarily reliant on face to face, rather than on-line training interventions, revenue generation was unable to recover to pre-pandemic levels. This has been addressed with a restructuring and redirection of personnel, training programmes and delivery methods aimed at reinvigorating the unit's growth potential in the medium term.

Overall trading throughout the year was heavily affected by external events that resulted in erratic revenue and consequently choppy operating margins. Ongoing cost pressures, rising inflation, margin pressure, continued high unemployment and its socio-economic effects and the impact of unreliable power generation by Eskom are all expected to be elements that will exert pressure on trading in the year ahead. The group, however, remains underpinned by its solid financial position, with no gearing and is fully resourced to advance its growth plans and to respond immediately to large scale new business opportunities at existing and new clients. Acquisitive activity will continue to be considered as part of the group's current growth strategy. The group remains cautiously optimistic.

Corporate information continued

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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Grindrod Towers

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Investec Bank Limited

AUDITORS

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President Ridge

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