



2022 unaudited **interim** financial results

for the six months ended
30 September 2022

Condensed consolidated

statement of profit and loss and other comprehensive income

For the six months ended 30 September 2022

	Unaudited September 2022 R'000	Restated Unaudited September 2021 R'000	Audited March 2022 R'000
Revenue	394 647	363 319	777 111
Cost of sales	(348 149)	(324 116)	(686 756)
Gross profit	46 498	39 203	90 355
Other income	1 015	71	7 512
Operating expenses	(36 706)	(34 662)	(81 670)
Operating profit	10 807	4 612	16 197
Interest income	1 408	816	1 661
Interest expense	(202)	(269)	(658)
Profit before taxation	12 013	5 159	17 200
Taxation	(1 923)	681	190
Profit and total comprehensive income	10 090	5 840	17 390
Profit and total comprehensive income attributable to:			
Ordinary shareholders of the company	10 019	7 114	15 506
Non-controlling interests	71	(1 274)	1 884
Profit and total comprehensive income	10 090	5 840	17 390
Basic earnings per share and diluted earnings per share (cents)	12.41	8.35	18.36



Condensed consolidated
statement of financial position
As at 30 September 2022

	Unaudited September 2022 R'000	Restated Unaudited September 2021 R'000	Audited March 2022 R'000
ASSETS			
Non-current assets	37 576	40 229	39 181
Equipment and vehicles	4 473	3 841	4 935
Investment property	3 500	3 500	3 500
Right-of-use assets	5 264	4 449	5 346
Goodwill and intangible asset	20 230	23 851	20 886
Deferred tax asset	4 109	4 588	4 514
Current assets	193 320	183 639	195 892
Inventories	83	51	56
Trade and other receivables	129 116	133 008	133 477
Contract assets	2 379	–	2 770
Cash and cash equivalents	61 742	50 580	59 589
Total assets	230 896	223 868	235 073
EQUITY AND LIABILITIES			
Capital and reserves	172 578	163 494	169 614
Ordinary share capital and share premium	2 405	2 490	2 405
Treasury shares	(18 978)	(17 057)	(16 681)
Retained earnings	198 020	188 837	192 830
Equity attributable to equity holders of the company	181 447	174 270	178 554
Non-controlling interests	(8 869)	(10 776)	(8 940)
Non-current liabilities	2 684	8 565	3 440
Lease liabilities	2 684	3 127	2 738
Contingent consideration	–	4 581	702
Deferred tax liability	–	857	–
Current liabilities	55 634	51 809	62 019
Trade and other payables	51 084	46 754	54 986
Lease liabilities	3 096	1 636	3 046
Contingent consideration	736	3 419	324
Taxation payable	718	–	3 663
Total equity and liabilities	230 896	223 868	235 073



Condensed consolidated

statement of changes in equity

For the six months ended 30 September 2022

	Unaudited September 2022 R'000	Restated Unaudited September 2021 R'000	Audited March 2022 R'000
Balance at beginning of period as previously reported	169 614	169 983	159 812
Prior period errors	–	(10 171)	–
Balance at beginning of period – restated	169 614	159 812	159 812
Total comprehensive income	10 019	7 114	15 506
Acquisition of treasury shares	(2 299)	(19)	–
Shares cancelled	–	–	(4 173)
Dividends paid	(4 827)	(2 139)	(3 415)
Non-controlling interests	71	(1 274)	1 884
Balance at end of period	172 578	163 494	169 614



Condensed consolidated
statement of cash flows
For the six months ended 30 September 2022

	Unaudited September 2022 R'000	Unaudited September 2021 R'000	Audited March 2022 R'000
Cash generated from operations	13 867	17 233	39 096
Interest income	1 408	816	1 661
Interest expense	–	(269)	(80)
Taxation paid	(4 463)	(136)	(38)
Cash flows generated from operating activities	10 812	17 644	40 639
Cash flows utilised in investing activities	(83)	(346)	(5 995)
• Purchase of equipment and vehicles	(83)	(346)	(2 145)
• Purchase of contract asset	–	–	(3 850)
Cash flows utilised in financing activities	(8 576)	(3 464)	(11 801)
• Acquisition of treasury shares	(2 299)	(19)	–
• Shares cancelled	–	–	(4 173)
• Repayment of lease liabilities	(1 450)	(1 304)	(4 213)
• Dividends paid	(4 827)	(2 141)	(3 415)
Net increase in cash and cash equivalents	2 153	13 834	22 843
Cash and cash equivalents at beginning of period	59 589	36 746	36 746
Cash and cash equivalents at end of period	61 742	50 580	59 589



Segmental analysis

For the six months ended 30 September 2022

	Unaudited September 2022 R'000	Restated Unaudited September 2021 R'000	Audited March 2022 R'000
Revenue: sales to external clients			
Integrated Business Support Services	394 647	363 319	777 111
Shared Services	–	–	–
Total	394 647	363 319	777 111
Business segment operating profit results			
Integrated Business Support Services	15 430	8 261	34 041
Shared Services	(4 623)	(3 649)	(17 844)
Operating profit	10 807	4 612	16 197
Interest income	1 408	816	1 661
Interest expense	(202)	(269)	(658)
Profit before taxation	12 013	5 159	17 200
Business segment total assets			
Integrated Business Support Services	163 929	211 553	167 989
Shared Services	66 967	12 315	67 084
Total	230 896	223 868	235 073
Business segment total liabilities			
Integrated Business Support Services	51 591	54 285	60 739
Shared Services	6 727	6 089	4 720
Total	58 318	60 374	65 459
Business segment total net assets			
Integrated Business Support Services	112 338	157 268	107 250
Shared services	60 240	6 226	62 364
Total	172 578	163 494	169 614



1. Basis of preparation

The condensed consolidated interim financial statements for the six months ended 30 September 2022 have been prepared in accordance with the measurement and recognition requirements of International Financial Reporting Standards and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and are also in accordance with IAS 34 Interim Financial Reporting, the requirements of the Companies Act of South Africa and the JSE Limited Listings Requirements. The accounting policies applied in the preparation of these interim financial statements are in terms of International Financial Reporting Standards and are consistent with those applied in the previous annual financial statements. 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 unaudited condensed consolidated results. The results were prepared by the Group Financial Director, Mr R Sack CA(SA).

2. Headline earnings per share

	Unaudited September 2022 R'000	Restated Unaudited September 2021 R'000	Audited March 2022 R'000
Attributable earnings	10 019	7 114	15 506
Loss on disposal of equipment and vehicles	–	8	10
• Gross loss	–	11	14
• Tax effect	–	(3)	(4)
Attributable headline earnings	10 019	7 122	15 516
Headline earnings and diluted headline earnings per share (cents)	12.41	8.36	18.36
Weighted average number of shares ('000)	80 736	85 151	84 459

3. Net asset value per share

	Unaudited September 2022	Restated Unaudited September 2021	Audited March 2022
Number of shares in issue at end of period (net of treasury shares) ('000)	78 077	85 133	81 000
Net asset value per share (cents)	232	205	220
Tangible net asset value per share (cents)	201	172	189

During the six months ended 30 September 2022 the company acquired 2 912 285 (2021: 19 990) treasury shares at an average price of 123 (2021: 95) cents per share.



Notes continued

4. Prior period errors

- 4.1 In the 2021 year, accounts payable were understated by R6 650 000 and accordingly income was overstated by the same amount.
- 4.2 In the 2021 year, the non-controlling interest in subsidiaries and the non-controlling interests' share of losses was overstated by R1 478 000.
- 4.3 In the 2020 year, the deferred tax asset was overstated by R3 521 000 and accordingly income was overstated by the same amount.
- 4.4 Prior to 2020, accounting standards required the consolidation of share trusts controlled by the 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.
- 4.5 Correction of R5 862 000 processed in the year ended 31 March 2022 relating to amount charged to cost of sales and applicable to the six months ended 30 September 2021.
- 4.6 Tax charge relating to 4.5
- 4.7 Non-controlling interests share of adjustments applicable to 4.5 and 4.6

Statements of financial position	Deferred tax R '000	Treasury shares R '000	Non-controlling interests R '000	Trade and other payables R '000
Balances as previously reported at 30 September 2021	6 468	(14 608)	(15 327)	34 242
4.1				6 650
4.2			1 478	
4.3	(3 521)			
4.4		(2 449)		
4.5				5 862
4.6	1 641			
4.7			3 073	
Balances as restated at 30 September 2021	4 588	(17 057)	(10 776)	46 754

Statements of profit and loss	Cost of sales R '000	Taxation R '000
Balances as previously reported at 30 September 2021	(318 254)	(960)
4.5	(5 862)	1 641
Balances as restated at 30 September 2021	(324 116)	681

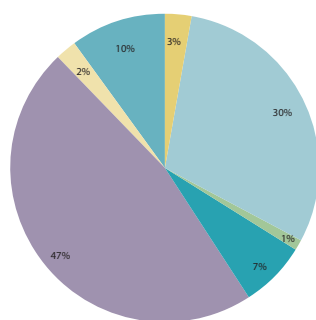
	Earnings per share (cents)	Headline earnings per share (cents)
Balances as previously reported at 30 September 2021	11.76	11.77
4.5, 4.6 and 4.7	(3.41)	(3.41)
Balances as restated at 30 September 2021	8.35	8.36



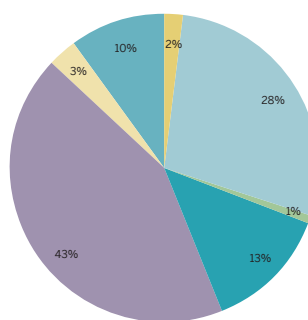
5. Disaggregation of revenue

Revenue by sector

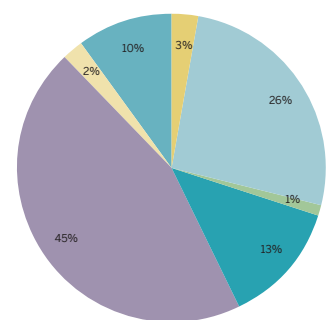
six months ended
30 September 2022



six months ended
30 September 2021

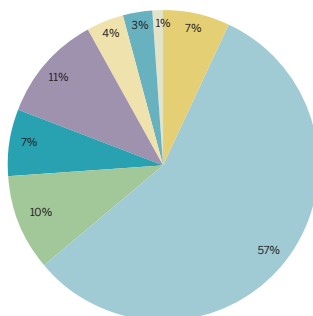


year ended
31 March 2022

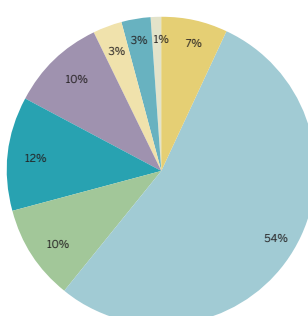


Revenue by geographic region

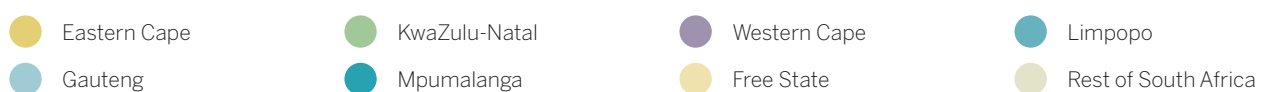
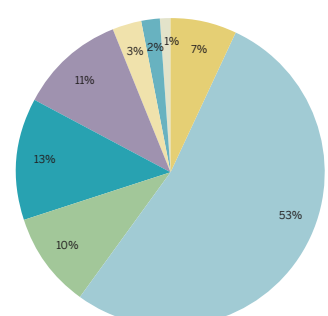
six months ended
30 September 2022



six months ended
30 September 2021



year ended
31 March 2022



Notes continued

6. Interim dividend

Notice is hereby given that a gross cash dividend of 2.00 cents per share for the interim period was declared on Wednesday, 23 November, 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, 17 January 2023
Date trading commences "ex" dividend	Wednesday, 18 January 2023
Record date	Friday, 20 January 2023
Date of payment	Monday, 23 January 2023

Ordinary share certificates may not be dematerialised or rematerialised between Wednesday, 18 January 2023 and Friday, 20 January 2023, both days inclusive.

Shareholders who are not exempt from the Dividend Withholding Tax of 20% will therefore receive a net dividend of 1.60 cents per share. The company has 118 751 833 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. Ordinary shareholders who hold dematerialised shares will have their accounts credited at their Central Securities Depository Participant (CSDP) or broker on Monday, 23 January 2023.

7. 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.

8. Auditors' responsibility

The results have not been reviewed or audited by the group's external auditors, RSM South Africa Inc.

9. 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, RSM South Africa Inc.

10. Directors

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

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

On behalf of the Board

DL Rose
Chairperson

M Abel
CEO

R Sack
FD

23 November 2022
Illovo, Sandton



primeserv group limited
unaudited interim results 2022

Commentary

The past six-month interim reporting period was characterised by an extremely difficult socio-economic macro environment, impacted by high inflation worldwide, supply chain constraints across key industries in which the group operates, the spill-over effects of the previous year's civil unrest and flooding in KwaZulu-Natal, and general margin pressure, resulting in a tough trading period. Despite these challenges, the group was able to deliver a solid and improved operating performance in the first six months of this financial year, with revenue increasing by 9 percent from R363.3 million to R394.7 million and gross profit increasing by 19 percent from R39.2 million to R46.5 million. As detailed in the group's integrated report for the year ended 31 March 2022, the group needed to restate elements of its prior year results consequent upon prior year errors identified by management. Consequently, and in order for there to be meaningful comparability between the previous and current interim reporting periods, the unaudited results for the prior year's six-month reporting period to 30 September 2021 have been restated. EBITDA increased by 99 percent from R6.7 million to R13.3 million. Given the group's positive cash generation and ungeared position, interest earned increased by 75 percent from R0.8 million to R1.4 million, whilst the interest expense, which is mainly related to interest on lease liabilities, has decreased by 33 percent from R0.3 million to R0.2 million. Profit before taxation has increased by 131 percent from R5.2 million to R12.0 million and profit after tax increased by 74 percent from R5.8 million to R10.1 million, after accounting for a period-on-period increase in taxation of 171 percent from R0.7 million to R1.9 million. Earnings per share has increased by 49 percent from 8.35 cents per share for the comparable period, to 12.41 cents per share for the current period. Headline earnings per share has shown a similar improvement, increasing by 48 percent from 8.36 cents per share to 12.41 cents per share.

The group's balance sheet remains strong, with the net asset value per share having increased by 13 percent from 205 cents at the end of September 2021 to 232 cents at the end of September 2022. This improvement comes after substantial funds were returned to shareholders in the form of both dividends and share buybacks. The group's tangible net asset value per share improved by 17 percent from 172 cents per share at end September 2021 to 201 cents per share at the end of the interim period under review. Cash flows from operating activities for the review period were again positive. Net cash has increased by 22 percent from R50.6 million at the end of September 2021 to R61.7 million at the end of September 2022, with the group remaining ungeared at the close of this reporting period. An interim cash dividend of 2.00 cents per share has been declared, up by 33 percent on the comparable prior period.

As part of Primeserv's continuous improvement programme centred on client service excellence, ongoing investment is being made in expanding the group's nationwide infrastructure and service delivery capacity and capability. As stated in the year-end results report back, results over the short-term may be dampened by the ongoing investment programme in our people, and especially upskilling our youth, in improved systems and digitisation, and in constantly evolving products and services to match our customers' needs, supported by enhanced brand, marketing and new business initiatives to grow and broaden the group's services offerings.

Whilst there has been a general uptick in economic activity across many of the sectors serviced by the group's operations, there continues to be a lag in certain key sectors of the group's areas of operations. In particular international supply chain constraints, delays in the rebuilding of, or return to full capacity in some regional wholesale and retail distribution centres and the slow start-up of projects in the construction sector and petrochemical industry has hampered growth during this period. Added to this has been the gap, still to be filled, resulting from the group's exit from certain uneconomic contracts in the power generation space.

A commendable operational performance was nonetheless delivered across all of Primeserv's Integrated Business Support Services operating units. The staffing support services business units with specialised operations servicing warehousing, distribution and logistics customers across the wholesale and retail and industrial and manufacturing value chain delivered a solid performance in a constantly fluctuating environment. Support services to the wholesale and retail sector were beset by mixed demand levels during the review period, whilst the manufacturing, construction and engineering sectors remained muted. Project support services across heavy engineering and mining were erratic, with mining being solid, whilst services to the petrochemical sector continued to be delayed due to the impact of the floods in KwaZulu-Natal. The group's specialised artisan staffing and training services units, servicing clients within the electricity power generation sector, remain negatively impacted by unplanned and ongoing delays or cancellations of maintenance projects and shutdowns. The training services unit made some positive progress in redirecting its efforts towards reinvigorating its product and services offering whilst continuing to deliver on key skills development initiatives for the group.

Market conditions affecting the group's operations continue to be uneven, and impacted by extraneous factors out of the group's control. Rising input costs, increasing margin pressure, unreliable electricity supply and a consequently constrained growth environment continue to exert pressure on what is already a difficult trading environment. Primeserv continues to focus its efforts on delivering on all its customers' needs, whilst using its strong ungeared financial position to seek out growth opportunities both organically and acquisitively.



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