reviewed results

for the year ended 31 march 2020

2020

primeserv

condensed consolidated statement of profit and loss and other comprehensive income

for the year ended 31 March 2020

	Reviewed March 2020 R'000	Audited March 2019 R'000
Revenue	807 658	806 735
Cost of sales	(694 294)	(694 451)
Gross profit	113 364	112 284
Other income	802	2 461
Operating expenses	(86 916)	(89 483)
Operating profit	27 250	25 262
Interest received	650	293
Interest paid	(1 118)	(668)
Profit before taxation	26 782	24 887
Taxation	(2 498)	(1 883)
Profit and total comprehensive income	24 284	23 004
Profit and total comprehensive income attributable to:		
Ordinary shareholders of the Company	26 717	22 988
Non-controlling interest	(2 433)	16
Profit and total comprehensive income	24 284	23 004
Basic earnings per share and diluted earnings per share (cents)	30.73	25.61

condensed consolidated **statement of financial position**

as at 31 March 2020

	Reviewed March 2020 R'000	Audited March 2019 R'000
ASSETS		
Non-current assets	43 315	42 244
Equipment and vehicles	4 783	5 104
Investment property	4 250	5 745
Right-of-use assets	5 547	–
Goodwill	21 178	21 178
Intangible assets	–	430
Deferred tax asset	7 557	9 787
Current assets	189 770	172 372
Inventories	54	132
Trade and other receivables	156 958	165 244
Cash and cash equivalents	32 758	6 996
TOTAL ASSETS	233 085	214 616
EQUITY AND LIABILITIES		
Capital and reserves	160 547	141 872
Ordinary share capital and share premium	2 672	2 672
Treasury shares	(19 370)	(17 292)
Retained earnings	187 775	164 589
Equity attributable to equity holders of the Company	171 077	149 969
Non-controlling interests	(10 530)	(8 097)
CURRENT LIABILITIES	72 538	72 744
Trade and other payables	47 422	53 370
Lease liabilities	5 897	–
Bank borrowings	19 219	19 374
TOTAL EQUITY AND LIABILITIES	233 085	214 616

condensed consolidated statement of changes in equity

for the year ended 31 March 2020

	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
Audited: Opening balances at 1 April 2018	1 321	1 351	(16 279)	144 406	130 799	(8 113)	122 686
Audited: Total comprehensive income – profit	–	–	–	22 988	22 988	16	23 004
Audited: Dividends paid (3.10 cents per share)	–	–	–	(2 805)	(2 805)	–	(2 805)
Audited: Acquisition of treasury shares	–	–	(1 013)	–	(1 013)	–	(1 013)
Audited: Balance at 1 April 2019	1 321	1 351	(17 292)	164 589	149 969	(8 097)	141 872
Reviewed: Total comprehensive income – profit	–	–	–	26 717	26 717	(2 433)	24 284
Reviewed: Dividends paid (4.00 cents per share)	–	–	–	(3 531)	(3 531)	–	(3 531)
Reviewed: Acquisition of treasury shares	–	–	(2 078)	–	(2 078)	–	(2 078)
Reviewed: Closing balances at 31 March 2020	1 321	1 351	(19 370)	187 775	171 077	(10 530)	160 547

condensed consolidated statement of cash flows

for the year ended 31 March 2020

	Reviewed March 2020 R'000	Audited March 2019 R'000
Cash flows from operations	33 243	1 213
Taxation paid	(210)	(1)
Interest received	650	293
Interest paid	(1 118)	(668)
Cash flows generated from operating activities	32 565	837
Cash flows utilised in investing activities	(1 039)	(776)
• purchase of equipment and vehicles	(1 039)	(776)
Cash flows utilised in financing activities	(5 609)	(3 818)
• acquisition of treasury shares	(2 078)	(1 013)
• dividends paid	(3 531)	(2 805)
Net increase/(decrease) in cash and cash equivalents	25 917	(3 757)
Cash and cash equivalents at beginning of year	(12 378)	(8 621)
Cash and cash equivalents at end of year	13 539	(12 378)

segmental analysis

for the year ended 31 March 2020

	Reviewed March 2020 R'000	Audited March 2019 R'000
Revenue: sales to external customers*		
Integrated Business Support Services	807 658	806 735
Shared Services	–	–
Total	807 658	806 735
Revenue: inter-segment sales		
Integrated Business Support Services	69	90
Shared Services	–	–
Total	69	90
Business segment operating profit results		
Integrated Business Support Services	36 921	35 678
Shared Services	(9 671)	(10 416)
Operating profit	27 250	25 262
Interest received	650	293
Interest paid	(1 118)	(668)
Profit before taxation	26 782	24 887
Business segment EBITDA		
Integrated Business Support Services	38 494	36 924
Shared Services	(8 280)	(9 564)
Total EBITDA	30 214	27 360
Business segment assets		
Integrated Business Support Services	215 541	196 651
Shared Services	17 544	17 965
Total assets	233 085	214 616
Business segment liabilities		
Integrated Business Support Services	60 251	60 062
Shared Services	12 287	12 682
Total liabilities	72 538	72 744

* Relates to services rendered

1. BASIS OF PREPARATION

The reviewed condensed consolidated results for the year ended 31 March 2020 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 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 2020 are in terms of IFRS and are consistent with those applied in the audited annual financial statements for the year ended 31 March 2019, except for the adoption of new standards. IFRS 16 had no material effect on the Group's results. 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 condensed consolidated results. These results have been prepared by the Group Financial Director, Mr R Sack, CA(SA).

Primeserv offers fully-fledged Integrated Business Support Services (IBSS), which incorporates the Staffing Services businesses and the Training and Consulting Services businesses. The Training and Consulting Services businesses are no longer reported independently as they now, together with the Staffing Services businesses, make up the IBSS segment. Furthermore, for clarity, it was decided that as the Training and Consulting Services business primarily provides value-added services to the Group's client base and accounts for only approximately 3% of Group revenue there is no meaningful reason to continue to report the results of its operations separately. With effect from the beginning of the current financial year, the Group's business is being reported in two segments, namely the trading activities housed in the Integrated Business Support Services segment, and the Shared Services segment.

2. ADOPTION OF NEW ACCOUNTING STANDARD

The new standard changes how the Group recognises operating leases. The Group, as the lessee, will now recognise a right-of-use asset, representing its right to use the respective assets, with a corresponding finance lease liability which represents the obligation to make lease payments. The effect of the change is that the Group will no longer recognise an operating lease charge, but will, instead, recognise a depreciation charge in respect of the right-to-use asset and an interest expense for the associated lease liability.

The Group elected to adopt IFRS 16 Leases prospectively from 1 April 2019 using the cumulative catch-up approach without restating comparative figures. IFRS 16 replaces the existing standard and related interpretations.

In applying the standard for the first time, the Group used certain of the practical expedients allowed by the new standard, including applying the same discount rate to a portfolio of assets with the same or similar characteristics. The corresponding liability was measured by calculating the net present value of the expected future lease payments using the Group's incremental borrowing rate for these types of assets.

3. 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".

4. HEADLINE EARNINGS PER SHARE

	Reviewed March 2020 R'000	Audited March 2019 R'000
Attributable earnings	26 717	22 988
Headline earnings adjustments		
• Loss on disposal of equipment and vehicles	13	4
• Impairment of investment in property	1 495	700
• Tax effect in respect of adjustments	(338)	(298)
Attributable headline earnings	27 887	23 394
Headline earnings and diluted headline earnings per share (cents)	32.08	26.06
Weighted average number of shares at year end ('000)	86 942	89 778

5. NET ASSET VALUE PER SHARE

	Reviewed March 2020 R'000	Audited March 2019 R'000
Number of shares in issue at end of year (net of treasury shares) ('000)	85 594	88 389
Net asset value per share (cents)	200	167
Tangible net asset value per share (cents)	166	132

6. FINAL DIVIDEND

Notice is hereby given that a gross cash dividend of 1.50 cents per share for the year ended 31 March 2020 was declared on Wednesday, 17 June 2020, 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, 14 July 2020
Date trading commences "ex" dividend	Wednesday, 15 July 2020
Record date	Friday, 17 July 2020
Date of payment	Monday, 20 July 2020

Ordinary share certificates may not be dematerialised or rematerialised between Wednesday, 15 July 2020 and Friday, 17 July 2020, 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, 20 July 2020.

7. EVENTS AFTER THE REPORTING DATE

The COVID-19 virus is unprecedented in recent times and the effects of the associated lockdowns on the world as well as the local economy, and hence our business, are unlikely to be known for some time. There has been a marked decline in the overall level of revenue at most clients, with many shutting completely while others have had partial closures. There remain, however, a few clients that have been deemed to provide essential services and where the effect on our business has been less marked. The Group concluded the acquisition of the Lapace group of companies post year end. Further details relating to the COVID-19 pandemic and the Lapace acquisition are referred to in the commentary below. These are the only material events which have occurred after the reporting date and up to the date of this report.

8. DIRECTORS

DL Rose# (Chairman), 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
Chairman	*CEO*	*FD*

17 June 2020, Illovo

The overall performance of the Group for the year ended 31 March 2020 was pleasing given that most key metrics reflected an improvement. Despite the depressed economic environment and continued rising unemployment in South Africa, Group revenue remained stable, increasing marginally by 0.1% from R806.7 million to R807.7 million for the year under review. Operating margins remained under pressure and notwithstanding the challenging operating conditions, gross profit was up by 1% from R112.3 million to R113.4 million. Group EBITDA increased by 10.2% from R27.4 million to R30.2 million. Strict cost containment and enhanced operating efficiencies resulted in operating profit increasing year-on-year by 7.9% from R25.3 million to R27.3 million. Net profit before tax rose by 7.6% from R24.9 million to R26.8 million. A higher effective tax rate resulted in after tax income increasing by only 5.6%, from R23.0 million to R24.3 million. The net effect of higher earnings and the reduced number shares in issue as a consequence of some share repurchases, translated into earnings per share increasing by 20% from 25.61 cents per share for the past year to 30.73 cents per share for the current year. Headline earnings per share grew by 23% from 26.06 cents per share to 32.08 cents per share.

Primeserv's improved earnings and strong operating cash flows are evident in the solid Group balance sheet, with the net asset value per share increasing by 19.8% from 167 cents per share to 200 cents per share. The tangible net asset value per share increased by 25.8%, from 132 cents per share to 166 cents per share.

Tight working capital management resulted in a decrease in trade receivables as reflected in the improvement in Days Sales Outstanding which improved from 63 days at the end of the prior year to 60 days at the end of the current year. Cash flows for the year were significantly stronger year-on-year. Cash flows from operating activities increased by R31.8 million from R0.8 million in respect of the prior year, to R32.6 million for the current year. Cash and cash equivalents improved from a net borrowed position of R12.4 million at the end of March 2019 to a positive balance of R13.5 million at the end of the current year under review. This was notable given the increase in dividends paid out during the year, and that the Group also invested R2.1 million as part of its share buyback programme, compared to the R1.0 million invested in buybacks in the prior year. The Group was in a net cash positive and hence ungeared position as at the current reporting year end.

The operating performance across all Primeserv's Integrated Business Support Services operating units was admirable given the difficult and constrained economic conditions confronting the South African economy throughout the year under review. Certain business and industrial sectors of the economy that the Group services showed some resilience which helped to offset those sectors where performance was under pressure. The Staffing Services units continued to invest in the delivery of customised services and solutions that meet the evolving needs of their client base. The Group's focus on client-centric service excellence, supported by the Group's efficient Shared Services systems and growing national infrastructure particularly in certain more remote and underserviced regions of the country, combined with Primeserv's added value business support services offerings, was well received across its operating environment. The specialised staffing and support services units servicing the logistics, warehousing and distribution sector performed solidly, as did the manufacturing and wholesale and retail specialist units. The construction sector remained depressed, however, the Group maintained its established support services delivery capability and capacity to meet the sector's fluctuating demand. The Group's professional engineering, draughting and specialised artisans unit delivered a strong performance, as did its mining and project support services unit. The unit servicing the power generation sector also delivered a sound operating performance. The Training and Consulting Services unit made progress in returning to profitability in the latter part of the year, and whilst further business remodelling was still underway and it was gaining good market traction, its positive momentum was abruptly halted by the COVID-19 crisis which impacted South Africa and the Group in mid-March of this year.

At the outset of the year under review the Group integrated its two main operating segments into one business reporting segment. The amalgamation of the Staffing Services unit and the Training and Consulting Services unit into a single operating segment better reflecting the integrated value offering of the Group under the operating banner of Primeserv Integrated Business Support Services has proven successful. This operating segment is supported by Primeserv's Shared Services unit, which continues to be reported on as a separate business segment within the Group.

Post the March year-end, the Group concluded its acquisition of the Lapace group of businesses. This acquisition should, subject to the normalisation of business activities arising out of the business interruption as effected by the COVID-19 induced national lockdown, enhance the Group's capacity to deliver a deeper range of large project-based support services and a broader range of specialised artisan services to its clients.

The Group remains well funded through both internal cash resources and current bank facilities and anticipates that it will be able to meet all its existing operational needs as well as be in a position to avail itself of new growth opportunities as and when they become apparent.

In light of the prevailing circumstances and considering the interests of shareholders and the operational needs of the business, the Group has decided to reduce its final gross dividend by 40% to 1.5 cents per share, resulting in the total gross dividend for the year under review coming down by 25% from 4 cents per share to 3 cents per share.

COVID-19

Primeserv has taken an urgent and measured response to the COVID-19 pandemic. The Group's primary concern and focus is the health, safety and well being of all its employees and assignees as well as all clients and persons we come into contact with. The Group has introduced strict COVID-19 specific health and safety protocols and operating procedures which are applied at all the Group's offices and in conjunction with clients at their sites. These protocols include comprehensive COVID-19 related health and safety audits, the issue and wearing of appropriate PPE, social distancing measures, symptom testing, adherence to COVID-19 testing, tracking and tracing and the maintenance of contact registers as laid down by the South African Department of Health and National Institute for Communicable Diseases, regular cleaning and strict hygiene programmes, management of canteens and eating at work, separation of key personnel, and a broad range of interventions designed to ensure optimal operational and business control and management continuity. To this end robust client-specific business continuity plans are in place which are designed to maintain service delivery capability, capacity and client service excellence. Furthermore, a full-service work-from-home capability has been in place since the onset of the crisis and continues wherever possible so as to mitigate risks related to the spread of the virus. Those employees with comorbidities and those considered more at risk from infection to the virus for other reasons are required to work from home.

Despite servicing certain clients operating essential services, the Group has nevertheless as result of the COVID-19 outbreak been impacted severely by the national lockdown. Revenue in some key operating units servicing the construction, mining, manufacturing, retail and face-to-face training and consulting sectors has been negatively affected with some units having come to a complete standstill due to the lockdown. Where possible the Group makes use of virtual conferencing and training as an alternative to face-to-face activities.

The Group made certain key strategic operational and financial decisions in response to the COVID-19 pandemic. With a view to business returning to improved levels of activity as the national lockdown eases, but without certainty as to timing or intensity of increased activity it was decided to maintain full strength capability and capacity to service all our clients as and when their demand dictates. To this end Primeserv has ensured that its business continuity plans are vigorous and highly client-centric, fully staffed, and operationally agile to meet current and evolving client needs. Full national infrastructure capability has been maintained wherever practically possible and the Group is positioned to meet changing conditions and new business requirements despite the COVID-19 situation.

Given the reduced levels of revenue experienced almost immediately following the national state of disaster declared by the President on 15 March 2020, and given that a high level of uncertainty remains in relation to any return to pre-COVID-19 levels of revenue, the Group immediately took action to right-size its cost base wherever possible. Cost reduction measures have been instituted across the Group without impacting any service delivery capability. The Group has also looked at ways to maximise employment opportunities, ensured that leave benefits are made available, and as a last resort affected employees/assignees are assisted to access the state-administered Tax Relief benefits. Remuneration and fee sacrifices have been taken by the executive and non-executive directors, as well as by management and staff across the Group.

Management will continue to rigorously assess the effects of the pandemic and the lockdown on its business so as to proactively respond to the evolving situation in order to maintain Primeserv's operational viability and to ensure the long-term sustainability of the Group.

corporate information

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

Registered office
25 Rudd Road
Illovo, Sandton

Contact information
PO Box 3008, Saxonwold, 2132
Telephone: +27 11 691 8000
Telefax: +27 11 691 8011
www.primeserv.co.za
email: productivity@primeserv.co.za

Company Secretary
ER Goodman Secretarial Services Proprietary Limited
(represented by Marilis Janse van Rensburg)
3 River Road
Bedfordview, 2008

Legal advisors
DLA Cliffe Dekker Hofmeyr
Fasken Martineau
Harris Marcus Mahlangu
Werksmans

Sponsor
Grindrod Bank Limited
Grindrod Towers
8A Protea Place
Sandton, 2196

Bankers
FirstRand Bank Limited
Investec Bank Limited

Auditors
Mazars
54 Glenhove Road
Melrose Estate, 2196

Transfer Secretaries
Link Market Services South Africa (Pty) Ltd
Rennie House, 19 Ameshoff Street
Braamfontein, 2001
(PO Box 4844, Johannesburg, 2000)

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