LINKING PEOPLE WITH
SERVICE EXCELLENCE

2020
UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS
for the period ended
30 September

Commentary

CSG Holdings Limited (CSG) Group is a multi-disciplinary support services group offering a wide range of solutions in facilities, security and staffing services in Southern Africa to an array of clients across a multitude of sectors/industries. At the core is good corporate governance combined with an innovative and adaptive corporate culture, sound knowledge and proven experience, underpinned by solid financial backing.

CSG's mission to be a leading strategic outsource partner of choice for staffing solutions, facilities management and security in South Africa remains unchanged. We have consolidated and increased our basket of services offered to clients. Our strategy continues to focus on growing into service delivery that is more technology-based and to offer clients an integrated service model including all CSG services.

Financial performance

The COVID-19 pandemic will forever characterise 2020. The CSG Group's 2021 interim period commenced on 1 April 2020, a few days after the President of South Africa declared the COVID-19 pandemic a national disaster and announced several extraordinary measures to combat the grave public health emergency.

As a result of the COVID-19 pandemic, the group realised a lower demand for services in the short term which resulted in a decline in revenue. The group's focus during the lockdown was on preserving liquidity and cash flow. Various cost-saving measures were immediately implemented across all operations, including the temporary reduction of all salaries, temporarily laying off employees, and where possible, deferring non-essential capital expenditure and applying measures to optimise working capital.

In order to assist employees. the Minister of Labour issued the COVID-19 Temporary Relief Scheme (TERS benefit), available to all businesses negatively impacted by COVID-19 to help companies continue to pay salaries/wages. The CSG Group applied for these TERS Benefits and was able pay the wages of all employees who continued to work and those who were temporarily laid off. CSG Group received government assistance in excess of R122 million which was distributed to employees.

Earnings per share increased by 129%, while headline earnings per share increased by 130%, in comparison to that reported for the period ended 30 September 2019. This improvement was mainly due to the Security division's aggressive turnaround plan, the group's cost-cutting initiatives implemented during lockdown, together with assistance received from government such as employee tax incentives (ETI) and Skills Development Levy (SDL) payment holidays.

The CSG Group's revenue from continuing operations of R563,15 million decreased by 38%, with the company generating an operating profit of R14,89 million and headline earnings of R8,12 million.

Some of the 7Arrows Security Proprietary Limited (7Arrows) contracts was successfully sold on 1 October 2020 to Fidelity ADT Monitoring Proprietary Limited and this part of 7Arrows has been classified as a discontinued operation in the financials.

Cash generated by operations increased by 59% to R81,70 million for the period ended 30 September 2020.

The directors have reviewed the group's financial position, existing borrowing facilities and cash on hand, and are satisfied that the group will continue as a going concern for the foreseeable future.

Divisional review

CSG Facilities

This division contributed R7,75 million to operating profit, with revenue decreasing by 44% to R185,61 million. The decline in performance resulted mainly from the impact of the lockdown, mitigated by salary and cost cuts implemented and government assistance received.

CSG Security

This division contributed R12,0 million to operating profit, with revenue from continuing operations of R162,99 million remaining flat year on year. Operating profit increased by 361% from the losses reported in the previous year.

The improvement in Security's performance resulted mainly from the total overhaul of the division after the disappointing performance during the 2020 financial year. Some of the changes implemented were new management and reporting structures, financial processes redesigned to improve integrity and timing of reporting, aggressive cost-cutting initiatives and the consolidation of the various security businesses. During lockdown, additional assistance was received from government such as additional ETI and SDL payment holidays.

CSG People

This division contributed R5,50 million to operating profit, with revenue deteriorating by 48% to R214,55 million. During lockdown, many clients temporarily closed their businesses. Due to the nature of the service models of this division, we were able to temporarily suspend the employment of our contracting workforce, thus minimising the financial impact.

Outlook

Cleaning, hygiene, sanitising and security remain essential services and CSG is well positioned to deliver these services nationally to a wide range of clients. We expect that contingent staffing models will be popular going forward, increasing the demand for the services of our People division. CSG Foods is now fast tracking the implementation of its centralised kitchen strategy which will help to expand its client base. CSG Skills started an online training strategy to capitalise on the high demand for hygiene, cleaning and workplace safety training.

The CSG Group is steadily becoming a competitive facility management player in the South African market, offering its basket of facilities' management services to more and larger clients. More opportunities are materialising where CSG can offer a one-stop service to its clients. A strong sales pipeline exists in most of the companies and is being consolidated at group level to emphasise the importance of internal support, experience and cross-selling opportunities.

The leadership team has now revised the 2025 strategy to incorporate the impact of COVID-19, which is presently being implemented by the companies across the group. It is the vision and commitment of the CSG Exco to inspire and motivate the identified leaders of the group to achieve our targeted growth goals cohesively and dynamically.

The CSG Group is well positioned for growth as a result of its successful diversification strategy and through various growth initiatives being implemented, as well as new greenfield projects which are underway.

Condensed consolidated statement

of financial position

as at 30 September 2020

	Unaudited 30 September 2020 R'000	Restated* Unaudited 30 September 2019 R'000	Audited 31 March 2020 R'000
Assets			
Non-current assets	403 594	422 361	414 134
Property, plant and equipment	38 651	37 596	41 452
Right-of-use asset	53 368	66 948	64 859
Intangible assets	18 482	18 473	19 086
Goodwill	215 216	249 815	215 216
Trade and other receivables	–	1 233	–
Deferred taxation	44 025	11 065	38 539
Loans receivable	33 829	37 231	34 982
Current assets	316 938	415 900	338 153
Inventories	8 440	10 887	11 341
Current income tax receivable	5 902	15 646	8 327
Current portion of loans receivable	14 863	17 435	14 590
Trade and other receivables	199 577	316 902	257 861
Cash and cash equivalents	88 155	55 030	46 034
Total assets	720 532	838 261	752 287

** September 2019 comparative results restated to show the right of use assets separately from property, plant and equipment and lease liabilities seperate from interest-bearing liabilities.*

	Notes	Unaudited 30 September 2020 R'000	Restated* Unaudited 30 September 2019 R'000	Audited 31 March 2020 R'000
Equity and liabilities				
Capital and reserves		392 814	437 744	384 521
Stated capital	3.2	318 883	318 883	318 883
Treasury shares	3.1	(1 236)	(1 236)	(1 236)
Retained earnings		73 017	117 970	64 916
Foreign currency translation reserve		(5 943)	(9 918)	(5 671)
Non-controlling interest		8 093	12 044	7 629
Non-current liabilities		112 995	144 459	129 646
Interest-bearing liabilities		92 629	109 147	100 178
Lease liabilities		16 336	31 946	24 236
Deferred taxation		4 031	3 366	5 232
Current liabilities		214 722	256 057	238 120
Current portion of interest-bearing liabilities		15 116	13 995	14 804
Current portion of lease liabilities		24 067	21 183	29 359
Current portion of loans from associates		10 092	162	9 862
Current portion of borrowings		10 190	24 658	10 617
Bank overdrafts and invoice discounting		–	30 342	355
Trade and other payables		154 317	163 315	171 690
Current income tax payable		2 877	2 402	1 433
Total equity and liabilities		720 532	838 261	752 287
Shares in issue ('000)		521 288	521 288	521 288
Net asset value per share (cents)		73,80	81,70	72,30
Net tangible asset value per share (cents)		30,03	31,00	28,45

** September 2019 comparative results restated to show the right of use assets separately from property, plant and equipment and lease liabilities seperate from interest-bearing liabilities.*

Condensed consolidated statement

of profit or loss and other comprehensive income

for the period ended 30 September 2020

	Note	Unaudited 30 September 2020 R'000	Restated* Unaudited 30 September 2019 R'000	Audited 31 March 2020 R'000
Continuing operations				
Revenue		563 151	909 596	1 751 275
Cost of sales		(429 344)	(745 176)	(1 427 114)
Gross profit		133 807	164 419	324 161
Net operating expenses		(118 921)	(145 473)	(297 457)
Operating profit		14 885	18 946	26 704
Profit/(loss) on sale of property, plant and equipment		160	437	(818)
Impairment of non-financial assets		–	–	(34 773)
Share of joint venture losses		(230)	(1 078)	(10 778)
Investment income		3 676	5 092	9 077
Finance cost		(8 059)	(10 635)	(22 446)
Profit/(loss) before taxation		10 433	12 761	(33 033)
Taxation		2 494	(2 591)	1 231
Profit/(loss) from continuing operations		12 927	10 171	(31 802)
Discontinued operations	6	(4 361)	(37 193)	(47 438)
Profit/(loss) for the period		8 565	(27 022)	(79 241)
Other comprehensive income		(272)	(193)	4 055
Total comprehensive income		8 293	(27 215)	(75 186)
Profit/(loss) for the period attributable to:				
Owners of the parent		8 101	(27 730)	(80 784)
Non-controlling interest		464	708	1 543
		8 565	(27 022)	(79 241)
Total comprehensive income/(loss) attributable to:				
Owners of the parent		7 829	(27 923)	(76 729)
Non-controlling interest		464	708	1 543
		8 293	(27 215)	(75 186)
Weighted average shares in issue ('000)		520 369	520 374	520 372
Diluted weighted average shares in issue ('000)		520 369	520 374	520 372
Earnings/(loss) per share attributable to the owners of the parent				
Basic earnings/(loss) per share (cents)		1,55	(5,33)	(15,52)
Diluted earnings/(loss) per share (cents)		1,55	(5,33)	(15,52)
Dividend per share (cents)		–	–	–

* *Restated as allowed by IFRS 5* Non-current Assets Held for Sale and Discontinued Operations *(refer to note 6).*

	Unaudited 30 September 2020 R'000	Restated* Unaudited 30 September 2019 R'000	Audited 31 March 2020 R'000
Earnings/(loss) per share from continuing operations			
Basic earnings/(loss) per share (cents)	2,39	1,82	(6,41)
Diluted earnings/loss per share (cents)	2,39	1,82	(6,41)
Loss per share from discontinued operations			
Basic loss per share (cents)	(0,84)	(7,15)	(9,11)
Diluted loss per share (cents)	(0,84)	(7,15)	(9,11)
Headline earnings reconciliation			
Attributable profit/(loss) from operations	8 101	(27 730)	(80 784)
Loss on sale of property, plant and equipment (after taxation)	15	315	659
Impairment on goodwill	–	–	34 599
Impairment on property, plant and equipment and intangible assets (after taxation)	–	–	332
Headline earnings/(loss)	8 116	(27 416)	(45 194)
Headline earnings/(loss) per share			
Basic headline earnings/(loss) per share (cents)	1,56	(5,27)	(8,69)
Diluted headline earnings/(loss) per share (cents)	1,56	(5,27)	(8,69)
Headline earnings reconciliation from continuing operations			
Attributable earnings from continuing operations	12 463	9 463	9 464
Loss on sale of property, plant and equipment (after taxation)	115	315	589
Impairment on goodwill	–	–	34 599
Headline earnings	12 578	9 778	44 651
Headline earnings per share from continuing operations			
Basic headline earnings per share (cents)	2,42	1,88	8,58
Diluted headline earnings per share (cents)	2,42	1,88	8,58
Headline loss per share from discontinued operations			
Basic headline loss per share (cents)	(0,86)	(7,15)	(17,27)
Diluted headline loss per share (cents)	(0,86)	(7,15)	(17,27)

* *Restated as allowed by IFRS 5* Non-current Assets Held for Sale and Discontinued Operations *(refer to note 6).*

Condensed consolidated statement

of cash flows

for the period ended 30 September 2020

	Notes	Unaudited 30 September 2020 R'000	Restated* Unaudited 30 September 2019 R'000	Audited 31 March 2020 R'000
Cash flow from operations		78 655	43 544	128 427
Cash generated by operations		81 699	51 443	164 606
Investment income		1 806	1 745	4 319
Taxation paid		(332)	(8 083)	(9 472)
Cash flow from discontinued operations	6	(4 518)	(1 561)	(31 026)
Cash flow from investing activities		(7 078)	(7 580)	(8 448)
Net investment in property, plant and equipment		(6 642)	(12 042)	(19 941)
Proceeds from non-current assets classified as held for sale		–	–	310
Businesses acquired		–	(8 461)	(8 903)
Loans advanced to loans receivable and loans to associates		(697)	(5 012)	(9 445)
Loan repayments from loans receivable and loans to associates		262	17 935	29 531
Cash flow from financing activities		(29 101)	(28 550)	(91 573)
Dividends paid		–	(1 678)	(6 928)
Net purchase of treasury shares	3.1	–	(20)	(20)
Proceeds from borrowings		–	–	428
Repayment of interest-bearing liabilities, lease liabilities and borrowings		(19 024)	(9 827)	(57 993)
Finance cost		(8 059)	(9 587)	(22 446)
Cash flow from discontinued operations	6	(2 019)	(7 438)	(4 614)
Increase in cash resources		42 476	7 415	28 406
Cash resources at the beginning of the period		45 679	17 273	17 273
Cash resources at the end of the period		88 155	24 688	45 679
Cash resources		88 155	24 688	45 679
Bank and call deposits		88 155	55 030	46 034
Bank overdraft and invoice discounting		–	(30 342)	(355)

* *Restated as allowed by IFRS 5* Non-current Assets Held for Sale and Discontinued Operations *(refer to note 6).*

Condensed consolidated statement

of changes in equity

for the period ended 30 September 2020

	Total attributable to equity holders of the parent R'000	Non-controlling interest R'000	Total equity R'000
Equity as at 1 April 2019 (Audited)	453 642	13 013	466 655
Total comprehensive loss for the period	(27 923)	708	(27 215)
Dividend paid	–	(1 678)	(1 678)
Treasury shares acquired	(20)	–	(20)
Equity as at 30 September 2019 (Unaudited)	425 700	12 044	437 744
Total comprehensive loss for the period	(48 806)	835	(47 971)
Dividend paid	–	(5 250)	(5 250)
Equity as at 31 March 2020 (Audited)	376 892	7 629	384 521
Total comprehensive income for the period	7 829	464	8 293
Equity as at 30 September 2020 (Unaudited)	384 721	8 093	392 814

Segmental reporting

for the period ended 30 September 2020

	Unaudited 30 September 2020 R'000	Restated* Unaudited 30 September 2019 R'000	Audited 31 March 2020 R'000
Revenue			
CSG Facilities	**185 608**	332 548	666 199
CSG Security	**162 998**	163 426	332 387
CSG People	**214 545**	413 622	752 689
Total group	**563 151**	909 596	1 751 275
Operating profit	**14 904**	18 887	26 704
CSG Facilities	**7 749**	17 339	28 715
CSG Security	**12 761**	(3 838)	(6 669)
CSG People	**5 497**	16 653	24 372
Head office	**(11 103)**	(11 267)	(19 713)
Profit/(loss) before taxation	**10 479**	12 762	(33 033)
CSG Facilities	**7 806**	17 617	29 788
CSG Security	**11 716**	(6 455)	(21 562)
CSG People	**5 713**	16 889	(11 045)
Head office	**(14 756)**	(15 289)	(30 214)
Profit/(loss) after taxation	**12 973**	10 171	(31 802)
CSG Facilities	**10 178**	16 342	29 569
CSG Security	**12 064**	(3 425)	(17 362)
CSG People	**8 220**	16 093	(10 483)
Head office	**(17 489)**	(18 839)	(33 526)

* *Restated as allowed by IFRS 5* Non-current Assets Held for Sale and Discontinued Operations *(refer to note 6).*

Notes to the condensed consolidated interim results

for the period ended 30 September 2020

1. Nature of operations

CSG is a holding company incorporated and domiciled in South Africa. The main business is to provide facilities management which includes contract catering, cleaning and food services, security and risk solutions, as well as outsourced personnel services, including recruitment and specialised staffing solutions to a range of clients.

2. Basis of preparation

The condensed consolidated interim results for the period ended 30 September 2020 have been presented in accordance with the requirements of International Financial Reporting Standards (IFRS), the information required by IAS 34 *Interim Financial Reporting*, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the South African Companies Act, 71 of 2008, and the JSE Limited Listings Requirements.

The results have been prepared in accordance with the accounting policies of the company that are in terms of IFRS and that are consistent with the accounting policies of the previous annual financial statements. These results were prepared under the supervision of the group chief financial officer, Mr WE Scott CA(SA).

3. Ordinary shares

3.1 Treasury shares

Treasury shares relate to the purchase of shares by the CSG Share Incentive Trust to fulfill its obligation in terms of share option schemes and its subsidiary, Hi-Tech Risk Solutions Proprietary Limited.

3.2 Ordinary shares issued

No shares were issued during the interim period.

4. Capital commitments and contingencies

The group had no significant outstanding capital commitments or contingencies as at 30 September 2020.

5. Goodwill

Management performed impairment tests on the goodwill relating to all divisions of the group for the period ended 30 September 2020. Based on this test, management is of the opinion that no further impairment is necessary as at September 2020. This will, however, again be considered at year-end.

The recoverable amount of each company was determined based on value-in-use calculations, covering a detailed three-year forecast, followed by an extrapolation of expected cash flows for the remaining useful life using a growth rate determined by management.

The present value of the expected cash flows of each segment is determined by applying a suitable discount rate reflecting current market assessments of the time value of money and risks specific to the segment.

6. Discontinued operations and non-current assets held for sale

As communicated in the 2020 integrated annual report, the board, after due consideration and as a result of continuous losses, made the decision to sell the business of 7Arrows. An agreement was entered into with Fidelity ADT Monitoring Proprietary Limited and as a result, CSG disposed of a specified part of the armed response and monitoring business as well as a specified part of the residential guarding business of 7Arrows for a consideration of R65,85 million. The effective date was 1 October 2020.

Notes to the condensed consolidated interim results continued

for the period ended 30 September 2020

No assets or resultant liabilities have been identified as part of the sale agreement. These will be sold separately after the effective date. No agreements are currently in place.

	Unaudited 30 September 2020 R'000	Unaudited 30 September 2019 R'000	Audited 31 March 2020 R'000
Profit or loss			
Revenue	65 450	78 213	150 128
Expenses	(66 878)	(115 020)	(211 936)
Net loss before tax	(1 428)	(36 807)	(61 806)
Tax	(2 933)	(386)	14 368
Net loss	(4 361)	(37 193)	(47 438)
Expenses are made up as follows:			
Cost of sales	(51 511)	(82 750)	(148 734)
Other operating income	158	106	12 132
Other operating expenses (excluding depreciation and impairments)	(13 810)	(29 555)	(68 642)
Impairment loss	–	–	(332)
Depreciation, including right of use	(1 579)	(1 644)	(4 734)
Interest expense	(136)	(1 177)	(1 626)
	(66 878)	(115 020)	(211 936)
Cash flow statement			
Cash flow from operations	(4 518)	(1 561)	(31 026)
Cash flow from investing activities	–	–	–
Cash flow from financing activities	(2 019)	(7 438)	(4 614)

7. Events after the reporting period

The directors are not aware of any material events, other than events noted previously, which occurred after the reporting date and up to the date of this report.

8. Going concern

The financial information has been prepared on a going concern basis. We also refer to the COVID-19 disclosure in the previous financial performance section.

The condensed consolidated interim results have not been reviewed or audited by the company's external auditor, BDO South Africa Inc.

For and on behalf of the board

Bulelani Ngcuka
Chairman

Pieter Dry
Chief executive officer

19 November 2020

Corporate information

Share code: CSG
ISIN: ZAE000184438

Registered office

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(Postal address as above)

Registration number

2006/011359/06

Date and place of incorporation

12 April 2006
Johannesburg, South Africa

Directors

BT Ngcuka* (Chairman); PJJ Dry (CEO); JG Nieuwoudt (COO); WE Scott (CFO); NN Sonjani*#; R Kisten*#; N Ramages* (resigned 26 February 2020); M Mokoka*#

(non-executive) (# independent)*

Company secretary

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Announcement date

19 November 2020

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