

unaudited interim financial results

for the six months ended
30 September 2020



condensed consolidated statement of comprehensive income

for the six months ended 30 september 2020

2020

	Unaudited September 2020 R'000	Unaudited September 2019 R'000	Audited March 2020 R'000
Revenue	323 306	402 926	807 658
Cost of sales	(287 050)	(349 400)	(694 294)
Gross profit	36 256	53 526	113 364
Other income	88	107	802
Operating expenses	(29 329)	(41 461)	(86 916)
Operating profit	7 015	12 172	27 250
Interest received	696	190	650
Interest paid	(379)	(630)	(1 118)
Profit before impairment expense and taxation	7 332	11 732	26 782
Impairment – goodwill	(5 327)	–	–
Profit before taxation	2 005	11 732	26 782
Taxation	(922)	(1 612)	(2 498)
Profit and total comprehensive income	1 083	10 120	24 284
Profit and total comprehensive income attributable to:			
Ordinary shareholders of the Company	4 135	10 085	26 717
Non-controlling interest	(3 052)	35	(2 433)
Profit and total comprehensive income	1 083	10 120	24 284
Profit and total comprehensive income attributable to ordinary shareholders of the Company	4 135	10 085	26 717
Weighted average number of shares ('000)	85 569	88 028	86 942
Basic earnings per share and diluted earnings per share (cents)	4.83	11.46	30.73



condensed consolidated statement of financial position

as at 30 september 2020



	Note	Unaudited September 2020 R'000	Unaudited September 2019 R'000	Audited March 2020 R'000
ASSETS				
Non-current assets		36 027	49 016	43 315
Equipment and vehicles		4 736	4 597	4 783
Investment property		4 250	5 745	4 250
Right-of-use assets		4 476	9 001	5 547
Goodwill	4	15 851	21 178	21 178
Intangible assets		–	322	–
Deferred tax asset		6 714	8 173	7 557
Current assets		176 069	163 637	189 770
Inventories		53	120	54
Trade and other receivables		143 707	148 874	156 958
Cash and cash equivalents		32 309	14 643	32 758
TOTAL ASSETS		212 096	212 653	233 085
EQUITY AND LIABILITIES				
Capital and reserves		160 222	149 279	160 547
Ordinary share capital and share premium		2 672	2 672	2 672
Treasury shares		(19 487)	(17 793)	(19 370)
Retained earnings		190 619	172 462	187 775
Equity attributable to equity holders of the Company		173 804	157 341	171 077
Non-controlling interests		(13 582)	(8 062)	(10 530)
Non-current liabilities				
Lease liabilities		2 463	4 451	2 077
Current liabilities		49 411	58 923	70 461
Trade and other payables		43 344	50 717	47 422
Lease liabilities		2 277	4 647	3 820
Bank borrowings		3 790	3 559	19 219
TOTAL EQUITY AND LIABILITIES		212 096	212 653	233 085





condensed consolidated **statement of changes in equity**
for the six months ended 30 september 2020

	Unaudited September 2020 R'000	Unaudited September 2019 R'000	Audited March 2020 R'000
Balance at beginning of period	160 547	141 872	141 872
Total comprehensive income – profit	4 135	10 085	26 717
Acquisition of treasury shares	(117)	(503)	(2 078)
Dividends paid	(1 291)	(2 210)	(3 531)
Non-controlling interest	(3 052)	35	(2 433)
Balance at end of period	160 222	149 279	160 547





condensed consolidated **statement of cash flows**
for the six months ended 30 september 2020

	Unaudited September 2020 R'000	Unaudited September 2019 R'000	Audited March 2020 R'000
Cash flows from operations	16 819	26 986	33 243
Interest received	696	190	650
Interest paid	(379)	(630)	(1 118)
Taxation paid	(79)	(131)	(210)
Cash flows generated from operating activities	17 057	26 415	32 565
Cash flows utilised in investing activities	(669)	(240)	(1 039)
• purchase of equipment and vehicles	(669)	(240)	(1 039)
Cash flows utilised in financing activities	(1 408)	(2 713)	(5 609)
• acquisition of treasury shares	(117)	(503)	(2 078)
• dividends paid	(1 291)	(2 210)	(3 531)
Net increase in cash and cash equivalents	14 980	23 462	25 917
Cash and cash equivalents at beginning of period	13 539	(12 378)	(12 378)
Cash and cash equivalents at end of period	28 519	11 084	13 539



segmental analysis
for the six months ended 30 september 2020

2020

	Unaudited September 2020 R'000	Unaudited September 2019 R'000	Audited March 2020 R'000
Revenue: sales to external customers			
Integrated Business Support Services	323 306	402 926	807 658
Total	323 303	402 926	807 658
Revenue: inter-segment revenue			
Integrated Business Support Services	–	69	69
Total	–	69	69
Business segment operating profit results			
Integrated Business Support Services	11 964	16 728	36 921
Shared Services	(4 949)	(4 556)	(9 671)
Operating profit	7 015	12 172	27 250
Interest received	696	190	650
Interest paid	(379)	(630)	(1 118)
Profit before impairment expense and taxation	7 332	11 732	26 782
Business segment EBITDA*			
Integrated Business Support Services	14 235	18 049	38 494
Shared Services	(4 871)	(4 962)	(8 280)
Total	9 364	13 087	30 214

* EBITDA is defined as Earnings Before Interest (received and paid), Tax, Depreciation and Amortisation (and including impairments).



1. BASIS OF PREPARATION

The condensed consolidated interim financial statements for the six months ended 30 September 2020 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 2020 R'000	Unaudited September 2019 R'000	Audited March 2020 R'000
Attributable earnings	4 135	10 085	26 717
Headline earnings adjustments			
• Loss on disposal of equipment and vehicles	14	14	13
• Impairment of investment property	–	–	1 495
• Goodwill impairment attributable to ordinary shareholders of the Company	1 962	–	–
Attributable headline earnings before tax effect	6 111	10 099	28 225
Tax effect of adjustments	(4)	(4)	(338)
Attributable headline earnings	6 107	10 095	27 887
Headline earnings and diluted headline earnings per share (cents)	7.14	11.47	32.08
Weighted average number of shares ('000)	85 569	88 028	86 942

3. NET ASSET VALUE PER SHARE

	Unaudited September 2020	Unaudited September 2019	Audited March 2020
Number of shares in issue at end of period (net of treasury shares) ('000)	85 443	87 595	85 594
Net asset value per share (cents)	203	180	200
Tangible net asset value per share (cents)	177	146	166

During the six months ended 30 September 2020, the Company acquired 151 000 (2019: 795 000) treasury shares at an average price of 77 cents per share (2019: 63 cents per share).

4. GOODWILL

Bathusi Staffing Services Proprietary Limited, the business unit servicing, primarily, the petrochemicals sector has experienced particularly adverse conditions during the last few months and the current prospects for improvement are not favourable, especially given the ongoing impact of the Covid-19 pandemic. During the course of October 2020, an analysis and reforecast for the business unit was undertaken taking into consideration the anticipated orders from clients over the short- to medium-term. This indicated that current and foreseeable prospects within this specific business unit remain extremely weak. Consequently, a decision has been made to impair the full amount of goodwill attributable to the business unit. Primeserv Corporate Solutions Proprietary Limited, the business unit that provides human capital consulting, training



and skills development services, has also experienced a drop-off in revenue (specifically related to revenue derived from face-to-face training programmes) as a direct consequence of Covid-19 related factors. The prospects for this business unit are more optimistic over the medium-term and hence only a minor impairment is required. Given current levels of business activity across the rest of the Group no further goodwill impairments are anticipated at this stage.

5. INTERIM DIVIDEND

Notice is hereby given that a gross cash dividend of 1.50 cents per share (2019 interim dividend of 1.50 cents per share) for the interim period was declared on Thursday, 12 November 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 interim dividend are as follows:

Last date to trade "cum" dividend	Tuesday, 19 January 2021
Date trading commences "ex" dividend	Wednesday, 20 January 2021
Record date	Friday, 22 January 2021
Date of payment	Monday, 25 January 2021

Ordinary share certificates may not be dematerialised or rematerialised between Wednesday, 20 January 2021 and Friday, 22 January 2021, 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 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.

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, 25 January 2021. As cheques have been discontinued by the Company's bankers no dividend cheques will be distributed. Affected shareholders should contact their broker or CSDP as soon as possible to arrange for their bank details to be loaded so that they can receive dividends via electronic funds transfer.

6. EVENTS AFTER THE REPORTING DATE

Aside from the continuing effects of the Covid-19 pandemic, which continues to adversely affect the economy, management is not aware of any other material events that occurred subsequent to the end of the financial period under review.

7. AUDITORS RESPONSIBILITY

The results have not been reviewed or audited by the Group's external auditors, Mazars.

8. 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, Mazars.

9. 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
Chairman

M Abel
CEO

R Sack
FD

12 November 2020, Illovo, Sandton



Primeserv delivered a satisfactory performance for the six months ended September 2020 especially given the unprecedented effects of the Covid-19 pandemic and the national lockdown imposed just as the Group started its new financial year. Revenue was significantly impacted during the first three months of this reporting period but improved steadily as the levels of lockdown were eased by government. Overall revenue for the six months was down by 20% in relation to the comparable period last year, dropping from R402.9 million to R323.3 million. Gross profit for the current period has decreased by 32% from R53.5 million to R36.3 million and operating profit decreased by 43% from R12.2 million to R7.0 million. During the initial phases of the lockdown, some of the Group's clients were compelled to shut their operations while those delivering essential services remained open albeit in certain instances operating at reduced volumes. Whilst the Group acted swiftly to manage issues of business sustainability, curtailing expenditure and aligning its cost base to reduced revenues, it made the strategic decision to maintain its nationwide infrastructure and to continue to deliver its full suite of Integrated Business Support Services so as to support its clients during this period of uncertainty. To this end, Primeserv remained fully resourced to meet anticipated improvements in trading conditions as the lockdown was eased. The pandemic related change in client margin mix negatively impacted overall operating margins during this reporting period. Operating margins were further impacted downward as Primeserv partnered with certain of its non-essential services clients in initiatives aimed at saving jobs that were under threat of being lost due to the pandemic. To this end, Primeserv continued to deliver services to these clients at substantially reduced margins for a period of time during the height of the lockdown. Furthermore, the Group's overall operating margin was severely affected by the almost complete cessation of business within the Group's training and skills development unit during this reporting period. Despite these extremely challenging conditions the Group's immediate response to the pandemic and the resultant lockdown resulted in a well-managed outcome with EBITDA decreasing by only 28% from R13.1 million to R9.4 million for the six months ended September 2020. Interest received improved from R0.2 million for the six months ended September 2019 to R0.7 million for the current review period. Interest paid decreased from R0.6 million for the comparable period to R0.4 million for the current period. These positive changes are primarily due to tight working capital management and the reduced levels of revenue during the first three months of this reporting period. In light of the decreased performance during this period and the anticipated reduction in business activity and hence profitability within some of the Group's operations, Primeserv has determined that goodwill amounting to R5.3 million needs to be impaired. Profit before the impairment shows a decrease of 38% from R11.7 million for the six months ended 30 September 2019 to R7.3 million in the current six month reporting period. After accounting for the impairment, profit before taxation has decreased by 83% from R11.7 million to R2.0 million. Earnings per share has decreased by 58% from 11.46 cents per share for the comparable six-month period last year, to 4.83 cents per share for the current reporting period. Similarly, headline earnings per share have decreased by 38% from 11.47 cents per share to 7.14 cents per share. Albeit that trading conditions were far from optimal, the Group has continued to strengthen its balance sheet with its net asset value per share increasing by 13% from 180 cents per share at the end of September 2019 to 203 cents per share at the end of the current period. The tangible net asset value per share has increased by 21% from 146 cents per share to 177 cents per share as at 30 September 2020. Cash flows from operations remained strongly positive with the Group operating in a net ungeared position throughout the reporting period. The Group's net cash position has increased by 157% from R11.1 million at the end of September 2019 to R28.5 million at the end of September 2020. The Group did not avail itself of any of the relief measures offered by government that were intended to ease pressure on cash flows and settled all its statutory and related obligations in full and on time during this reporting period. The Group has adequate working capital and financing facilities to meet improved trading conditions as and when they materialise.

Primeserv's client-centric Integrated Business Support Services offering remained robust throughout the lockdown and the Group was able to support and to continue servicing all of its clients that were considered to be essential services. The Group's staffing and related services to the petrochemical, heavy engineering, manufacturing, construction and project mining sectors were particularly adversely affected by the hard lockdown. Services to the professional engineering, design and draughting sector remained relatively stable. The specialised staffing and related fulfilment support services business unit, servicing a broad spectrum of the logistics, distribution centre, warehousing and wholesale and retail sector, experienced a less severe decline in revenue during the review period as essential goods still needed to be distributed and managed across the supply chain.

At the onset of the lockdown Primeserv implemented various extraordinary measures to safeguard the health and safety of its staff and assignees through the implementation of stringent Covid-19 protocols, including the issuing of appropriate PPE, reconfiguring work spaces, facilitating work from home wherever practically possible and providing wellness support where needed. A key issue for the Group during this period has been to manage the overriding imperative of business sustainability whilst seeking to counterbalance this with a responsibility to minimise job losses where possible.

As previously reported, the Group completed the acquisition of the business of the Lapace group of companies albeit that they too have been negatively affected by the pandemic. Despite this the Group remains confident that its investment will be rewarded over the medium-term.

2020

The economy is expected to remain depressed and extremely challenging for some time to come. Notwithstanding the prevailing environment, Primeserv continues to invest in its people, and specifically youth development programmes aimed at addressing chronic youth unemployment, as well as in expanding its products and services, national infrastructure and systems so as to ensure the optimal delivery of its customised and client-centric Integrated Business Support Services. The Group remains well positioned to benefit from improving trading conditions and is actively seeking acquisitive opportunities.



Primeserv Group Limited

(Incorporated in the Republic of South Africa)

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