

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

Reviewed results for the year ended 31 March 2018

Condensed consolidated statement of profit and loss and other comprehensive income
for the year ended 31 March 2018

	Reviewed March 2018 R' 000	Audited March 2017 R' 000
Revenue	725 289	642 122
Cost of sales	(618 287)	(540 905)
Gross profit	107 002	101 217
Other income	1 069	1 139
Operating expenses	(85 817)	(80 749)
Operating profit	22 254	21 607
Interest received	268	291
Interest paid	(2 249)	(2 385)
Profit before taxation	20 273	19 513
Taxation	(586)	(2 770)
Profit and total comprehensive income	19 687	16 743
Profit and total comprehensive income attributable to:		
Ordinary shareholders of the Company	19 544	16 008
Non-controlling interest	143	735
Profit and total comprehensive income	19 687	16 743
Basic earnings per share and diluted earnings per share (cents)	21.70	17.77

Condensed consolidated statement of financial position
as at 31 March 2018

	Reviewed March 2018 R' 000	Audited March 2017 R' 000
ASSETS		
Non-current assets	44 936	43 292
Equipment and vehicles	5 514	3 513
Investment property	6 445	7 045
Goodwill	21 178	21 178
Intangible assets	646	-
Deferred tax asset	11 153	11 556
Current assets	129 965	132 781
Inventories	162	177
Trade and other receivables	125 361	129 907
Taxation receivable	-	634
Cash and cash equivalents	4 442	2 063
Total assets	174 901	176 073
EQUITY AND LIABILITIES		
Capital and reserves	122 686	106 170
Ordinary share capital and share premium	2 672	2 672
Retained earnings	144 406	128 033
Treasury shares	(16 279)	(16 279)
Equity attributable to equity holders of the Company	130 799	114 426
Non-controlling interests	(8 113)	(8 256)
Current liabilities	52 215	69 903
Trade and other payables	39 152	31 810
Bank borrowings	13 063	38 093
Total equity and liabilities	174 901	176 073

Condensed consolidated statement of changes in equity
as at 31 march 2018

	Share Capital R '000	Share premium R '000	Retained earnings R '000	Treasury shares 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 2016	1 321	1 351	113 241	(16 279)	99 634	(8 991)	90 643
Audited: Total comprehensive income - profit	-	-	16 008	-	16 008	735	16 743
Audited: Dividends paid (1.35 cents per share)	-	-	(1 216)	-	(1 216)	-	(1 216)
Audited: Balances at 1 April 2017	1 321	1 351	128 033	(16 279)	114 426	(8 256)	106 170
Reviewed: Total comprehensive income - profit	-	-	19 544	-	19 544	143	19 687
Reviewed: Dividends paid (3.50 cents per share)	-	-	(3 171)	-	(3 171)	-	(3 171)
Reviewed: Closing balances at 31 March 2018	1 321	1 351	144 406	(16 279)	130 799	(8 113)	122 686

Condensed consolidated statement of cash flows
for the year ended 31 march 2018

	Reviewed March 2018 R' 000	Audited March 2017 R' 000
Profit before taxation	20 273	19 513
Adjustment for non-cash items	1 927	3 017
Operating cash flows before working capital changes	22 200	22 530
Net working capital changes	11 903	(28 989)
Taxation refunded	451	-
Cash flows from operating activities	34 554	(6 459)
Cash flows from investing activities	(3 974)	(4 457)
Cash flows from financing activities	(3 171)	(1 216)
Net increase/(decrease) in cash and cash equivalents	27 409	(12 132)
Cash and cash equivalents at beginning of year	(36 030)	(23 898)
Cash and cash equivalents at end of year	(8 621)	(36 030)

Segmental analysis
for the year ended 31 march 2018

	Reviewed March 2018 R' 000	Audited March 2017 R' 000
Revenue from external customers		
Staffing Services	700 243	609 891
Training and Consulting Services	25 046	32 231
Total	725 289	642 122
Revenue - inter-segment		
Staffing Services	-	-
Training and Consulting Services	30	153
Total	30	153
Business segment operating profit results		
Staffing Services	38 182	33 639
Training and Consulting Services	(5 901)	(1 297)
Shared Services	(10 027)	(10 735)

Operating profit	22 254	21 607
Interest received	268	291
Interest paid	(2 249)	(2 385)
Profit before taxation	20 273	19 513
Business segment EBITDA		
Staffing Services	39 295	35 195
Training and Consulting Services	(5 362)	(950)
Shared Services	(9 084)	(9 670)
Total	24 849	24 575
Business segment total assets		
Staffing Services	137 521	126 143
Training and Consulting Services	13 244	21 173
Shared Services	24 136	28 757
Total	174 901	176 073
Business segment total liabilities		
Staffing Services	38 485	46 944
Training and Consulting Services	1 397	5 035
Shared Services	12 333	17 924
Total	52 215	69 903
Business segment net assets		
Staffing Services	99 036	79 199
Training and Consulting Services	11 847	16 138
Shared Services	11 803	10 833
Total	122 686	106 170

Notes

COMMENTARY

Reviewed results for the year ended 31 March 2018

Primeserv is an investment holding company and a leading provider of integrated business support services focused on providing client-centric human capital services, spanning staffing and recruitment services, productivity and functional outsourcing services and training and consulting services. We align our customised services to our clients' needs, optimising their required human capital base to enhance the capabilities of their organisations. Our innovative solutions deliver economically measurable value-added services that directly impact on productivity and performance. This allows our clients to prioritise business objectives, so as to achieve their strategic goals. Primeserv has a strong focus on workplace flexibility solutions which are aligned to government initiatives aimed at enhancing youth employment opportunities, and on the development of labour force skills through its training and learnership programmes with a particular emphasis on the up-skilling of youth in South Africa.

Primeserv's results for the year ended 31 March 2018 maintained the positive trend of the past few years, despite the difficult economic trading conditions experienced across most of the business sectors serviced by the Group. The Staffing Services segment, the Group's largest business component, which provides Temporary Employment Services, continued to show organic growth whilst the Training and Consulting segment delivered a sub-par performance. The uncertainty regarding changes to labour legislation and, in particular, the referral of the so-called deeming provision to the Constitutional Court has in a number of instances curtailed growth opportunities while clients await the final result, anticipated in August 2018. The Group is, however, well positioned to meet its clients' needs, whatever the legal outcome, and has developed a range of specialised products and services which will allow clients continued access to the Group's various staffing and productivity solutions.

Group revenue for the year rose by 13% from R642.2 million to R725.3 million whilst gross profit increased by 6% from R101.2m to R107.0 million. Operating profit was up by 3% from R21.6 million to R22.3 million with profit before taxation increasing by 4% from R19.5 million to R20.3 million. Earnings per share were consequently boosted by 22% from 17.77 cents per share to 21.70 cents per share while headline earnings per share improved by 18% from 18.74 cents per share to 22.14 cents per share. Cash flows from operating activities improved from a net outflow of R6.5 million for the 2017 financial year to a net inflow of R34.6 million for the year under review whilst the overall cash position turned around from an outflow of R12.1 million in the prior year to an inflow of R27.4 million in the current year. This was after both the payment of dividends, which went up from R1.2 million in the prior year to

R3.2 million in the current year, and further investment in fixed assets of R3.4 million. Better collections have led to the Group's gearing lessening from 31% at the end of March 2017 to 7% at the end of the current financial year. This is further evidenced by the reduction in overall Days Sales Outstanding ("DSO") from 63 days to 53 days and interest cover improving from 9 times for the prior year to 10 times for the current financial year. Trade receivables have decreased from R125.7m at the end of the prior year to R121.2 million at the end of the current review period. A stand-out feature of the decrease is that the portion of trade receivables that is past due reduced by 73% from R21.5 million to R5.9 million at year end. The Group's statement of financial position is reflective of a strong overall performance. The net asset value per share increased by 14% from 127 cents per share to 145 cents per share and the tangible net asset value per share by 20% from 91 cents per share to 109 cents per share.

Revenue for the Staffing Services segment improved by 15% from R609.9 million last financial year to R700.2 million for the current year with the segment's EBITDA increasing by 12% from R35.2 million to R39.3 million and its operating profit going up by 14% from R33.6 million to R38.2 million. The DSO reduced from 61 days at the end of March 2017 to 52 days at the end of March 2018 as a significant portion of the overdue debts at the end of the prior year were collected. The blue collar staffing unit, which specialises in servicing the logistics, warehousing and distribution market, as well as the wholesale and retail, manufacturing and construction sectors, delivered a satisfactory performance. The staffing unit servicing the financial and related service industries had a satisfactory year. The large project engineering and construction sector continues to contend with the lack of new infrastructure developments and this dampened growth in the white collar professional draughting and engineering staffing unit. The staffing unit servicing the power generation sector was beset by erratic headcount volumes and extreme margin erosion.

The Training and Consulting Services segment had a torrid year. Sales decreased by 22% from R32.2 million to R25.0 million and the unexpected operating loss rose from R1.3 million for the 2017 financial year to R5.9 million for the review period. The business is intended to provide both strategic and growth opportunities to the Group as a whole, but, in view of the performance, has required an intensive reassessment and restructuring. This has included the closure of non-performing components and a review of the products and services offered as well as substantial changes in key personnel. Operating costs were significantly affected by material but unbudgeted expenditure relating to the close-out of a number of legacy projects, as well as by the investment in senior staff who were employed to develop new business but who failed to build the requisite sales pipeline or to deliver the expected revenue. Performance was further affected by the undertaking of some new business at inferior margins with a view to improving sales volumes. This operation remains key to the Group's integrated service offering, and is anticipated to return to profitability in the medium-term.

The Group has, notwithstanding the negative performance of the Training and Consulting Services segment, delivered a solid set of results for the year.

BASIS OF PREPARATION

The reviewed condensed consolidated results for the year ended 31 March 2018 have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee 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 2018 are in terms of IFRS and are consistent with those applied in the audited annual financial statements for the year ended 31 March 2017. There is no significant difference between the carrying amounts of financial assets and liabilities and their fair values. The results are presented in Rand, which is Primeserv Group Limited's reporting currency.

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).

AUDITOR'S REVIEW

The results have been reviewed by the Group's auditors, Mazars. Their unqualified review opinion is available for inspection at the company's registered office. 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

	2018	2017
	R '000	R '000
Attributable earnings	19 544	16 008
Headline earnings adjustments (net of tax effect)		
- Loss on disposal of equipment and vehicles	48	171
- Impairment of investment in property	346	466
- Impairment of intangible assets	-	234
Attributable headline earnings	19 938	16 879
Earnings and diluted headline earnings per share (cents)	22.14	18.74
Weighted average number of shares at year end ('000)	90 064	90 064

There have been no changes in the issued share capital during the year. There are no potentially dilutive shares.

FINAL DIVIDEND

Notice is hereby given that a final gross cash dividend of 1.60 cents per share for the year ended 31 March 2018 was declared on Friday, 15 June 2018, payable to shareholders recorded in the register of the Company at the close of business on the record date appearing below. The salient dates pertaining to the final dividend are as follows:

Last date to trade "cum" dividend	Tuesday, 17 July 2018
Date trading commences "ex" dividend	Wednesday, 18 July 2018
Record date	Friday, 20 July 2018
Payment date	Monday, 23 July 2018

Ordinary share certificates may not be dematerialised or rematerialised between Wednesday, 18 July 2018 and Friday, 20 July 2018, both days inclusive.

Shareholders who are not exempt from Dividend Withholding Tax of 20% will therefore receive a net dividend of 1.28 cents per share. The Company has 132 062 743 ordinary shares in issue and the income tax reference number is 9408/002/71/06. The dividend is being paid out of income reserves.

All times provided in this pronouncement 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, 23 July 2018.

TRANSFORMATION

The Group is continuing to assess ways to enhance its transformation and B-BBEE credentials. This review encompasses all categories of staff, including, but not limited to senior executives and non-executive directors. Other empowerment initiatives have already been established and are being effected in the forthcoming year, such as a preferential procurement scheme whereby services and products required by the Group are channeled to small black-owned enterprises, and preferably those owned by women.

EVENTS AFTER THE REPORTING DATE

Management is not aware of any material events which have occurred subsequent to the end of March 2018. There has been no material change in the Group's contingent liabilities since

year-end.

OUTLOOK

The uncertain and weak trading and macro-economic environment combined with the socio-economic challenges facing the country, make it difficult to assess the short to medium-term outlook, however, the Group remains well poised to respond to opportunities as they present themselves.

The Group continues to target both organic growth, and acquisitive opportunities aimed at furthering its national business support services capability.

DIRECTORS

CS Ntshingila(#) (Chairperson), M Abel (CEO), JM Judin(#), LM Maisela(*), DL Rose(#^), R Sack (Financial Director)
(#) Independent non-executive (*) Non-executive (^) Lead Independent non-executive

On behalf of the Board

CS Ntshingila Chairperson 15 June 2018, Illovo	M Abel CEO	R Sack Financial Director
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Corporate information

Primeserv Group Limited
("Primeserv" or "the Group" or "the Company")
Incorporated in the Republic of South Africa
Registration number: 1997/013448/06
Share code: PMV
ISIN: ZAE000039277
www.primeserv.co.za
Email: productivity@primeserv.co.za

Directors

CS Ntshingila* (Chairperson), M Abel (CEO), JM Judin*,
LM Maisela#, DL Rose* (Lead Independent), R Sack (Financial Director)
* Independent non-executive # Non-executive

Company secretary

ER Goodman Secretarial Services (Pty) Ltd (represented by M Janse van Rensburg)

Registered address

25 Rudd Road, Illovo, 2196
(PO Box 3008, Saxonwold, 2132)

Transfer secretaries

Computershare Investor Services (Pty) Ltd, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196
(PO Box 61051, Marshalltown, 2107)

Auditors

Mazars, 54 Glenhove Road, Melrose Estate, 2196

Sponsor

Grindrod Bank Limited, 4th Floor Grindrod Towers, 8A Protea Place, Sandton, 2196

www.primeserv.co.za