



PRIMESERV GROUP LIMITED

REVIEWED PROVISIONAL RESULTS

FOR THE YEAR ENDED 31 MARCH 2017

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2017

	Reviewed March 2017 R'000	Audited March 2016 R'000
Revenue	642 122	572 388
Cost of sales	(540 905)	(472 342)
Gross profit	101 217	100 046
Other income	1 139	4 128
Operating expenses	(80 749)	(89 690)
Operating profit	21 607	14 484
Interest received	291	454
Interest paid	(2 385)	(3 819)
Profit before taxation	19 513	11 119
Taxation	(2 770)	105
Profit and total comprehensive income	16 743	11 224
Profit and total comprehensive income attributable to:		
Ordinary shareholders of the Company	16 008	12 860
Non-controlling shareholders' interest – share of profit/(loss)	735	(1 636)
Profit and total comprehensive income	16 743	11 224
Earnings per share and diluted earnings per share (cents)	17.77	13.86
Note:		
Weighted average number of shares ('000)	90 064	92 787
Diluted weighted average number of shares ('000)	90 064	92 787
Headline earnings per share and diluted headline earnings per share (cents)	17.77	13.86

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2017

	Reviewed March 2017 R'000	Audited March 2016 R'000
ASSETS		
Non-current assets	42 936	44 619
Equipment and vehicles	3 513	3 693
Investment property	7 045	7 645
Goodwill	20 822	18 170
Intangible assets	–	882
Deferred tax asset	11 556	14 229
Current assets	132 781	97 398
Inventories	177	103
Trade receivables	125 651	79 994
Other receivables	4 256	8 576
Taxation receivable	634	637
Cash and cash equivalents	2 063	8 088
Total assets	175 717	142 017
EQUITY AND LIABILITIES		
Equity	106 170	90 643
Capital and reserves	114 426	99 634
Non-controlling interest	(8 256)	(8 991)
Current liabilities	69 547	51 374
Trade and other payables	31 454	19 388
Bank borrowings	38 093	31 986
Total equity and liabilities	175 717	142 017
Note:		
Number of shares in issue at end of year (net of treasury shares) ('000)	90 064	90 064
Net asset value per share (cents)	127	110

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2017

	Share Capital R '000	Share premium R '000	Distribu- table reserves R '000	Treasury shares R '000	Total R '000	Non- controlling interest R '000	Total equity R '000
Opening balances at 1 April 2015	1 321	1 351	101 308	(14 748)	89 232	(7 355)	81 877
Attributable earnings for the year	-	-	12 860	-	12 860	(1 636)	11 224
Dividends paid	-	-	(927)	-	(927)	-	(927)
Acquisitions by share trust	-	-	-	(1 531)	(1 531)	-	(1 531)
Balances at 1 April 2016	1 321	1 351	113 241	(16 279)	99 634	(8 991)	90 643
Attributable earnings for the year	-	-	16 008	-	16 008	735	16 743
Dividends paid	-	-	(1 216)	-	(1 216)	-	(1 216)
Closing balances at 31 March 2017	1 321	1 351	128 033	(16 279)	114 426	(8 256)	106 170

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2017

	Reviewed March 2017 R'000	Audited March 2016 R'000
Profit before taxation	19 513	11 119
Adjustment for non-cash items	3 017	4 753
Operating cash flows before working capital changes	22 530	15 872
Net working capital changes	(29 345)	6 128
Taxation paid	–	(1 018)
Cash flows from operating activities	(6 815)	20 982
Cash flows from investing activities	(4 101)	(1 386)
Cash flows from financing activities	(1 216)	(2 600)
Net (decrease)/increase in cash and cash equivalents	(12 132)	16 996
Cash and cash equivalents at beginning of year	(23 898)	(40 894)
Cash and cash equivalents at end of year	(36 030)	(23 898)

SEGMENTAL ANALYSIS

FOR THE YEAR ENDED 31 MARCH 2017

	Reviewed March 2017 R'000	Audited March 2016 R'000
Revenue from external customers		
Staffing and Recruitment Services	609 891	532 350
Training and Consulting Services	32 231	40 038
Total	642 122	572 388
Revenue – inter-segment		
Staffing and Recruitment Services	–	–
Training and Consulting Services	153	99
Total	153	99
Business segment operating profit results		
Staffing and Recruitment Services	33 639	27 326
Training and Consulting Services	(1 297)	1 055
Shared Services	(10 735)	(13 897)
Operating profit	21 607	14 484
Interest received	291	454
Interest paid	(2 385)	(3 819)
Profit before taxation	19 513	11 119
Business segment EBITDA		
Staffing and Recruitment Services	35 195	28 609
Training and Consulting Services	(950)	1 397
Shared Services	(9 670)	(13 816)
Total	24 575	16 190
Business segment total assets		
Staffing and Recruitment Services	125 787	109 656
Training and Consulting Services	21 173	19 989
Shared Services	28 757	12 372
Total	175 717	142 017
Business segment net assets		
Staffing and Recruitment Services	79 199	61 564
Training and Consulting Services	16 138	17 409
Shared Services	10 833	11 670
Total	106 170	90 643

COMMENTARY

REVIEWED RESULTS FOR THE YEAR ENDED 31 MARCH 2017

Primeserv Group is an investment holding company focused on providing market leading business support services to organisations throughout Southern Africa. Our services are delivered through our operating pillar, Primeserv Human Capital Services. This incorporates two main areas of specialisation, namely Staffing and Recruitment Services and Training and Consulting Services. We offer a client-centric, insight-based, integrated approach to human capital planning and implementation. For our clients this means increased productivity, reduced human resources related risk and the freedom to concentrate on their core business.

Notwithstanding challenging economic conditions with worsening levels of unemployment and continuing political and economic uncertainty, the Group has shown an improved performance during the year under review. Revenue has increased by 12% for the year from R572.4 million to R642.1 million. The improved revenues are largely attributable to new contracts concluded and the expansion of national contracts in the second half of the year. EBITDA increased by 52% from R16.2 million to R24.6 million, with operating profit increasing by 49% from R14.5 million to R21.6 million. Net profit before tax improved by 76% from R11.1 million to R19.5 million and net profit after tax increased by 49% from R11.2 million to R16.7 million. After adjusting for non-controlling interests, earnings per share and headline earnings per share have correspondingly increased by 28% from 13.86 cents per share to 17.77 cents per share.

In line with its improved profitability, the Group's balance sheet continues to strengthen with net asset value improving from 110 cents to 127 cents per share. Trade receivables have increased from R80.0 million to R125.7 million. This is in part due to increased sales which commenced in the second half of the year and resulted in an increase in the overall days sales outstanding (DSO) from 45 days to 63 days. Complexities in the procurement process of a major new client delayed payment of initial amounts outstanding, and clients with longer credit terms have become a more meaningful component of the business. A substantial element of the trade receivables outstanding at year-end had been received at the date of this report. The increased sales and movement in DSO have also impacted cash flow, specifically at year-end, and gave rise to a net cash outflow

for the year of R12.1 million as opposed to an inflow of R17.0 million in the prior year.

Revenue in the Group's Staffing and Recruitment Services segment increased by 15% from R532.4 million to R609.9 million, with operating profit increasing from R27.3 million to R33.6 million and EBITDA increasing from R28.6 million to R35.2 million for the period under review. Operating efficiencies in the Group's Shared Services segment have further contributed to the improvement in the Group's overall operating profit. The Training and Consulting Services segment experienced an unanticipated decline of 19% in its revenue from R40 million to R32.2 million and moved from an operating profit of R1.1 million in the prior year to an operating loss of R1.3 million in the current year. The business model of this segment has been adapted to meet the challenges faced by the business and a more variable cost model has been put in place to deal with the changing revenue patterns. The Group continues to closely monitor the results of this segment in order to ensure that it is properly able to realise its strategic importance to the Group, where it plays a pivotal role in the Group's ongoing programmes of skills development allied to youth employment advancement.

DSO for the Recruitment and Staffing Services segment, due to the reasons set out above, increased from 42 to 61 days, whilst those for the Training and Consulting Services segment also showed a small increase in its DSO from 82 to 89 days, primarily as a result of delayed payments from relevant SETAs.

Whilst organic growth opportunities remain a focus, the Group continues to seek acquisitions aimed at expanding its business support services.

BASIS OF PREPARATION

The condensed consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports and the requirements of the Companies Act of South Africa. The Listings Requirements require provisional reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the

COMMENTARY (continued)

REVIEWED RESULTS FOR THE YEAR ENDED 31 MARCH 2017

Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34-Interim Financial Reporting. The accounting policies applied in the preparation of the condensed consolidated financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements. The results were prepared by the Group Financial Director, Mr R Sack CA (SA).

REVIEW OPINION

The Group's auditors, Mazars, have reviewed the financial results for the year ended 31 March 2017. A copy of their unmodified review report is available for inspection at the Company's registered office.

The auditor's report does not necessarily report on all information contained in these financial results. Any reference to future financial performance included in this announcement has not been reviewed nor reported on by the auditors. Shareholders may obtain further information regarding the nature of the auditor's engagement as per inspection of the report at the Company's registered office.

FINANCIAL INSTRUMENTS

At the reporting date, the Group's financial assets and financial liabilities are all current. The carrying value of all financial assets and financial liabilities is a reasonable approximation of fair value.

DIVIDEND

Notice is hereby given that a final gross cash dividend of 2.00 cents per share (2016: 1.35 cents per share) for the year ended 31 March 2017 was declared on Friday, 23 June 2017, 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 final dividend are as follows:

Last date to trade "cum" dividend	Tuesday, 18 July 2017
Date trading commences "ex" dividend	Wednesday, 19 July 2017
Record date	Friday, 21 July 2017
Date of payment	Monday, 24 July 2017

Ordinary share certificates may not be dematerialised or rematerialised between Wednesday, 19 July 2017 and Friday, 21 July 2017, 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 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 at their CSDP or broker credited on Monday, 24 July 2017.

EVENTS AFTER THE REPORTING DATE

Management is not aware of any material events which have occurred subsequent to the end of March 2017. There has been no material change in the Group's contingent liabilities since year-end.

By order of the Board

CS Ntshingila <i>Chairperson</i>	M Abel <i>CEO</i>	R Sack <i>Financial Director</i>
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Primserv Group Limited
Illovo, Sandton
23 June 2017

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#, R Sack (Financial Director)

Independent non-executive

* Non-executive

COMPANY SECRETARY

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

REGISTERED ADDRESS

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

TRANSFER SECRETARIES

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

AUDITORS

Mazars, 54 Glenhove Road, Melrose Estate, 2196
(PO Box 6697, Johannesburg, 2000)

SPONSOR

Grindrod Bank Limited
(Registration number 1994/007994/06)
4th Floor Grindrod Towers, 8A Protea Place, Sandton, 2196
(PO Box 78011, Sandton, 2146)

