

STAFFING SOLUTIONS

REVENUE increased by **43%** to R832,79 million (2015: R583,25 million)

NET ASSET VALUE increased by **26%** to R429,12 million (2015: R341,54 million)

EPS decreased by **2%** to 9,61 cents per share (2015: 9,85 cents per share)

FACILITIES MANAGEMENT

OPERATING PROFIT increased by **32%** to R61,32 million (2015: R46,59 million)

PROFIT BEFORE TAX increased by **2%** to R58,21 million (2015: R57,05 million)

HEPS decreased by **2%** to 9,59 cents per share (2015: 9,83 cents per share)

INDUSTRIAL AND MINING SERVICES

FINANCIAL PERFORMANCE

The CSG group provides staffing solutions, facilities management, including contract catering, cleaning and security as well as industrial and mining support services to an array of clients, which include chemical and petro-chemical plants, mines, industrial businesses, manufacturing businesses, logistics businesses, retail outlets, hospitals, schools and various other clients. The group realised a 43% increase in revenue and a 32% increase in operating profit for the six months ended 30 September 2016.

The improvement in revenue and operating profit was achieved through both organic and acquisitive growth, which includes the benefit of the additional shareholding in Ukweza Holdings Proprietary Limited ("Ukweza") since October 2015 and additional earnings from the security and cleaning acquisitions included for the full six months ended 30 September 2016.

The six months ended 30 September 2015 included the positive impact of the non-cash once-off re-measurement of the contingent consideration of R10,39 million relating to the ConinghamLee Proprietary Limited ("ConinghamLee") acquisition (see note 3). As a result of this once-off re-measurement, headline earnings per share and earnings per share decreased by 2% compared to the six months ended 30 September 2015. They were further diluted by the private placement of 29,2 million shares issued on 18 July 2016 which raised R35 million as well as the sale of 35% shareholding in M&S Projects Proprietary Limited ("M&S Projects") on 1 June 2016 to non-controlling shareholders to improve their black shareholding.

DIVISIONAL REVIEW

STAFFING SOLUTIONS DIVISION

Revenue increased by 14% to R355,95 million contributing R26,85 million (representing 38%) to the operating profit of the group due to greater stability in the temporary employment industry as companies adapted to the changes in labour legislation.

FACILITIES MANAGEMENT DIVISION

The Facilities Management Division is now the largest division of the group and its growth is in line with CSG's strategy to diversify further into this division by continued acquisitions in catering, cleaning and security. Revenue increased by 88% to R391,66 million contributing R28,71 million (representing 40%) to the operating profit of the group. The increase is as a result of acquiring the minority shares of Ukweza effective 1 October 2015, together with the acquisition of Afriboom Proprietary Limited ("Afriboom"), the Hi-Tech security group of companies and 7Arrows and Cubed Systems, which are now included for the full six months.

INDUSTRIAL AND MINING SERVICES DIVISION

Revenue was R85,18 million, an increase of 32% compared to the comparative period and contributing R15,24 million (representing 22%) to the operating profit of the group. The increase is mainly a result of the performance of Umdeni Maintenance, which provides outsourced services to clients on a contracting basis. This is in line with the trend in the market of changing temporary employment contracts to outsourced service contracts.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

	Six months ended		Audited
	Unaudited	Unaudited	Year ended
	30 Sept	30 Sept	31 March
	2016	2015	2016
	R'000	R'000	R'000
Revenue	832 792	583 246	1 272 063
Cost of sales	(652 755)	(471 478)	(1 012 003)
Gross profit	180 037	111 768	260 060
Net operating expenses	(118 718)	(65 178)	(153 467)
Operating profit	61 319	46 590	106 593
Profit on sale of property, plant and equipment	98	132	368
Gain on bargain purchase	-	-	61
Re-measurement of contingent consideration relating to business acquisition	3	10 389	10 088
Investment income	2 111	1 719	3 237
Finance cost	(5 315)	(1 781)	(6 562)
Profit before taxation	58 213	57 049	113 785
Taxation	(14 714)	(13 267)	(28 208)
Profit for the period	43 499	43 782	85 577
Other comprehensive income	422	(416)	(4 184)
Total comprehensive income	43 921	43 366	81 393
Profit for the period attributable to:			
Owners of the parent	41 574	41 105	83 540
Non-controlling interest	1 925	2 677	2 037
	43 499	43 782	85 577
Total comprehensive income attributable to:			
Owners of the parent	41 996	40 729	79 356
Non-controlling interest	1 925	2 637	2 037
	43 921	43 366	81 393
Weighted average shares in issue ('000)	432 827	417 338	417 420
Diluted weighted average shares in issue ('000)	434 577	421 232	420 181
Earnings per share			
Basic earnings per share (cents)	9,61	9,85	20,01
Diluted earnings per share (cents)	9,57	9,76	19,88
Dividend per share (cents)	-	-	5,00
Headline earnings reconciliation			
Attributable earnings	41 574	41 105	83 540
(Profit)/loss on sale of property, plant and equipment (after taxation)	(71)	(95)	400
Impairment on property, plant and equipment (after taxation)	-	-	527
Gain on bargain purchase	-	-	(61)
Headline earnings	41 503	41 009	84 406
Headline earnings per share			
Basic headline earnings per share (cents)	9,59	9,83	20,22
Diluted headline earnings per share (cents)	9,55	9,74	20,09

SEGMENT REPORTING

	Six months ended		Audited
	Unaudited	Unaudited	Year ended
	30 Sept	30 Sept	31 March
	2016	2015	2016
	R'000	R'000	R'000
Revenue	355 952	311 097	598 940
Staffing Solutions	355 952	311 097	598 940
Facilities Management	391 661	207 825	546 452
Industrial and Mining Support Services	85 178	64 324	126 671
Total group	832 792	583 246	1 272 063
Operating profit	61 319	46 590	106 593
Staffing Solutions	26 846	31 748	57 454
Facilities Management	28 710	11 206	45 959
Industrial and Mining Support Services	15 235	13 183	24 838
Head office	(9 472)	(9 547)	(21 658)
Profit before taxation	58 213	57 049	113 785
Staffing Solutions	24 313	41 328	65 940
Facilities Management	29 718	11 257	46 062
Industrial and Mining Support Services	14 878	13 007	24 483
Head office	(10 697)	(8 543)	(22 699)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Six months ended		Audited
	Unaudited	Unaudited	Year ended
	30 Sept	30 Sept	31 March
	2016	2015	2016
	R'000	R'000	R'000
ASSETS			
Non-current assets	366 385	164 762	339 479
Property, plant and equipment	43 335	31 403	42 444
Intangible assets	69 939	648	70 072
Goodwill	221 700	127 462	221 700
Deferred taxation	5 288	4 939	4 953
Interest-bearing loans	26 123	310	310
Current assets	409 570	314 640	314 371
Inventories	9 427	8 137	9 016
Current income tax receivable	1 575	684	1 224
Current portion of loans to related parties	434	-	981
Trade and other receivables	299 811	237 613	258 326
Bank and call deposits	98 322	68 206	44 824
Total assets	775 956	479 402	653 850
EQUITY AND LIABILITIES			
Capital and reserves	429 120	341 540	345 993
Stated capital	4.2	223 921	188 694
Treasury shares	4.1	(1 247)	(1 678)
Share-based payment reserve	934	582	591
Retained earnings	196 320	140 522	162 263
Foreign currency translation reserve	(4 339)	(954)	(4 762)
Non-controlling interest	13 530	14 267	885
Non-current liabilities	92 548	22 180	103 600
Interest-bearing liabilities	71 483	22 128	82 534
Contingent consideration	5 169	-	5 169
Deferred taxation	15 897	52	15 897
Current liabilities	254 287	115 682	204 257
Current portion of interest-bearing liabilities	24 538	9 829	24 475
Current portion of loans from related parties	200	138	636
Bank overdrafts and invoice discounting	7 439	7 770	474
Trade and other payables	212 917	91 934	172 574
Trade payables and accruals	144 247	91 323	103 903
Current portion of contingent consideration	68 671	611	68 671
Current income tax payable	9 193	6 011	6 098
Total equity and liabilities	775 956	479 402	653 850
Shares in issue ('000)	448 781	418 322	418 322
Net asset value per share (cents)	95,6	81,6	82,7
Net tangible asset value per share (cents)	30,6	51,2	13,0

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended		Audited
	Unaudited	Unaudited	Year ended
	30 Sept	30 Sept	31 March
	2016	2015	2016
	R'000	R'000	R'000
Cash flow from operations	53 776	9 373	41 795
Cash generated by operations	65 839	22 406	72 119
Investment income	2 111	1 719	3 237
Finance cost	(1 869)	(1 781)	(4 511)
Taxation paid	(12 305)	(12 971)	(29 050)
Cash flow from investing activities	(5 975)	(6 636)	(121 414)
Net investment in property, plant and equipment	(5 975)	(6 636)	(15 927)
Net investment in intangible assets	-	-	(15)
Cash purchase consideration made relating to Ukweza acquisition	-	-	(7 000)
Business combination transaction costs	-	-	(1 104)
Acquisition of subsidiaries	-	-	(97 368)
Cash flow from financing activities	(1 268)	(24 164)	42 106
Dividends paid	(21 191)	(20 648)	(20 648)
Net purchase of treasury shares	431	(176)	(283)
Issue of ordinary shares	35 228	1 103	1 103
Movement in interest-bearing liabilities and related party loans	(15 736)	(4 443)	61 934
Increase/(decrease) in cash resources	46 533	(21 427)	(37 513)
Cash resources at beginning of period	44 350	81 863	81 863
Cash resources at end of period	90 883	60 436	44 350
Cash resources	90 883	60 436	44 350
Bank and call deposits	98 322	68 206	44 824
Bank overdraft and invoice discounting	(7 439)	(7 770)	(474)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Total attributable to equity holders of the parent	Non-controlling interest	Total equity
	R'000	R'000	R'000
Equity at 1 April 2015 (Audited)	303 981	13 332	317 313
Total comprehensive income for the period	40 729	2 637	43 366
Dividend paid	(18 682)	(1 966)	(20 648)
Share-based payment reserve	591	-	591
Treasury shares	(176)	-	(176)
Ordinary shares issued	1 103	-	1 103
Sale of shares to non-controlling interest	(265)	265	-
Equity at 30 September 2015 (Unaudited)	327 281	14 268	341 549
Total comprehensive income for the period	38 627	(600)	38 027
Treasury shares	(107)	-	(107)
Additional Ukweza acquisition	(20 693)	(12 783)	(33 476)
Equity at 31 March 2016 (Audited)	345 108	885	345 993
Total comprehensive income for the period	41 996	1 925	43 921
Dividend paid	(20 916)	(275)	(21 191)
Share-based payment reserve	343	-	343
Treasury shares	431	-	431
Sale of shares to non-controlling interest	5	13 399	13 404
Ordinary shares issued	4.2	35 228	35 233
Equity at 30 September 2016 (Unaudited)	415 590	13 530	429 120

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL RESULTS

1. NATURE OF OPERATIONS

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

2. BASIS OF PREPARATION

These condensed consolidated interim results for the period ended 30 September 2016 have been prepared in accordance with the framework concepts and the measurement and recognition 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 No 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. CONINGHAMLEE CONTINGENT CONSIDERATION PRIOR YEAR

In terms of the acquisition of ConinghamLee an initial cash amount of R24 million was paid through a Nedbank term funding facility on 4 November 2014. The purchase consideration also included an additional amount of R11 million payable based on the financial performance of ConinghamLee for the 12-month period following the acquisition date. On the date of the acquisition, based on the projected profits, an accrual for the full expected additional consideration payable in November 2015, was raised. The performance of ConinghamLee's mining and engineering desks during the last few months of the performance guaranteed period were negatively impacted by the pressure on commodity prices and cost cutting measures implemented by its clients, which directly impacted the expected profits during the performance guarantee period. A portion of the contingent consideration was, therefore, reversed in profit and loss for the six months ended 30 September 2015. The final re-measurement was performed during the year ended 31 March 2016. The re-measurement was an impairment indicator of goodwill assigned and management had to perform a detailed test which did not result in an impairment.

4. ORDINARY SHARES

4.1 Treasury shares

Treasury shares relate to the purchase of shares by the CSG Share Incentive Trust ("Trust") to fulfil its obligation in terms of share option schemes.

4.2 Ordinary shares issued

During July 2016, 29 146 119 shares were issued in terms of a private placement and an additional 1 312 502 shares were issued to predetermined participants resulting from an exercise of options pursuant to a specific issue of options by CSG.

5. SALE OF M&S PROJECTS SHARES

On 1 June 2016, CSG sold 35% of their shareholding in M&S Projects to non-controlling shareholders to improve its black shareholding for an amount of R24,4 million.

6. CAPITAL COMMITMENTS AND CONTINGENCIES

The group had no significant outstanding capital commitments or contingencies as at 30 September 2016.

7. EVENTS AFTER THE REPORTING PERIOD

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

Shareholders should, however, note that the following occurred subsequent to the period end:

7.1 Recall Africa

As disclosed in the integrated annual report for the year ended 31 March 2016, CSG, through its wholly owned subsidiary, Invictus Risk, acquired 100% of the shares and credit loans of Recall Africa Proprietary Limited, Recall Security Alphen Hotel Proprietary Limited, Recall Security Woodbridge Island Proprietary Limited, Recall Security Coral Grove Proprietary Limited, Recall Security Big Bay Beach Club Proprietary Limited and Recall Risk Services Proprietary Limited for a maximum amount of R15,840 million. The effective date was 1 May 2016 and the total consideration would have been settled in four quarterly payments. Unfortunately these companies did not perform as anticipated and the parties mutually agreed to terminate the agreement. No payments were made towards this transaction.

7.2 Transfer of CSG's listing to the main board of the JSE and change in sponsor

On 14 November 2016, the company applied to the Issuer Regulation Division of the JSE approved the transfer of CSG's listing from the Alternative Exchange of the JSE, to the main board of the JSE effective 21 November 2016. The Board of directors of CSG ("the Board") is of view that the transfer of listing will be in the best interest of stakeholders as it will allow CSG to capitalise on the benefits of being listed on the main board of the JSE. The company has also appointed PSG Capital Proprietary Limited as its sponsor with effect from 1 December 2016.