Audited summarised consolidated results

for the year ended 31 December 2016

Making a **meaningful** and **sustainable** difference in peoples' lives

Highlights

- Revenue increased by **29.4%** to **R2,52 billion**
- EBITDA increased by **29.4%** to **R137,9 million**
- Headline earnings per share increased by **20.1%** to **40,0 cents**
- Net asset value per share increased by **24.2%** to **R1,95**
- Cash flow from operating activities improved to **R69,2 million** (2015: R22,5 million)
- Cash and cash equivalents available of **R75,1 million** at 31 December 2016 (2015: R13 million)
- Net interest-bearing debt to total assets has improved to **27%** (2015: 36%)

(Incorporated in the Republic of South Africa)
(Registration number 2006/018145/06) (JSE Share Code: WKF ISIN: ZAE000087847) ("Workforce" or "the group" or "the company")

Summarised consolidated statement of financial position

as at 31 December 2016

	Notes	2016 R'000	2015 R'000
Assets			
Non-current assets		**199 060**	152 097
Property, plant and equipment	6	**18 015**	15 176
Goodwill		**102 287**	62 501
Intangible assets	7	**39 130**	32 911
Deferred tax assets		**36 919**	38 576
Other financial assets		**2 709**	2 933
Current assets		**688 090**	535 410
Trade and other receivables		**610 219**	517 788
Inventories		**2 742**	4 111
Taxation		**–**	447
Cash and cash equivalents	8	**75 129**	13 064
Total assets		**887 150**	687 507
Equity and liabilities			
Equity		**446 768**	354 247
Equity attributable to owners of the parent		**446 491**	354 275
Share capital and premium		**241 867**	241 867
Treasury shares		**(9 330)**	(9 488)
Available-for-sale reserve		**462**	686
Equity-settled employee benefits reserve		**2 337**	1 659
Reverse acquisition reserve		**–**	(125 499)
Retained earnings		**211 155**	245 050
Non-controlling interests		**277**	(28)
Non-current liabilities		**40 349**	34 791
Financial liabilities		**30 840**	24 076
Deferred tax liabilities		**9 509**	10 715
Current liabilities		**400 033**	298 469
Trade and other payables		**115 231**	88 480
Financial liabilities		**283 857**	209 989
Taxation		**945**	–
Total equity and liabilities		**887 150**	687 507

Summarised consolidated statement of comprehensive income

for the year ended 31 December 2016

	Notes	2016 R'000	2015 R'000	Increase/ (decrease) %
Revenue		**2 523 405**	1 949 771	29.4
Cost of sales		**(1 924 425)**	(1 494 934)	28.7
Gross profit		**598 980**	454 837	31.7
Other income		**720**	1 700	(57.6)
Operating costs		**(461 810)**	(349 951)	32.0
Earnings before interest, taxation, depreciation and amortisation ("EBITDA")		**137 890**	106 586	29.4
Depreciation and amortisation of non-financial assets		**(17 476)**	(12 910)	35.4
Operating profit		**120 414**	93 676	28.5
Finance income		**711**	297	139.4
Finance costs		**(29 957)**	(17 250)	73.7
Profit before taxation		**91 168**	76 723	18.8
Taxation		**735**	758	(3.0)
Profit for the year		**91 903**	77 481	18.6
Other comprehensive income for the year, net of tax:		**(224)**	917	
Fair value gain on available-for-sale financial assets to be reclassified subsequent to profit or loss		**(224)**	917	
Total comprehensive income for the year		**91 679**	78 398	18.1
Profit for the year attributable to:				
Owners of the parent		**91 604**	76 785	
Non-controlling interests		**299**	696	
		91 903	77 481	18.6
Total comprehensive income attributable to:				
Owners of the parent		**91 380**	77 702	
Non-controlling interests		**299**	696	
		91 679	78 398	16.9
Earnings per share (cents per share)				
Basic earnings per share	9	**40,1**	34,1	17.6
Diluted earnings per share	9	**38,1**	32,5	17.2
Headline earnings per share	9	**40,0**	33,3	20,1

Summarised consolidated statement of changes in equity

for the year ended 31 December 2016

	Attributable to owners of the parent	
	Share capital and premium R'000	Treasury shares R'000
Balance at 1 January 2015	236 867	(7 616)
Payment of dividends	–	–
Recognition of share-based payments	–	–
Buy-back of shares	–	(1 872)
Issue of ordinary shares arising on the acquisition of a business	5 000	–
Total comprehensive income for the year	–	–
Balance at 1 January 2016	241 867	(9 488)
Payment of dividends	**–**	**–**
Recognition of share-based payments	**–**	**–**
Buy-back of shares	**–**	**(1 714)**
Issue of ordinary shares under employee share option plan	**–**	**1 872**
Additional non-controlling interest arising on business combination	**–**	**–**
Transfer of reverse acquisition reserve to retained earnings	**–**	**–**
Total comprehensive income for the year	**–**	**–**
Balance at 31 December 2016	**241 867**	**(9 330)**

Attributable to owners of the parent						
Available-for-sale reserve R'000	Equity-settled employee benefits reserve R'000	Reverse acquisition reserve R'000	Retained earnings R'000	Total R'000	Non-controlling interests R'000	Total equity R'000
(231)	898	(125 499)	168 265	272 684	(371)	272 313
–	–	–	–	–	(353)	(353)
–	761	–	–	761	–	761
–	–	–	–	(1 872)	–	(1 872)
–	–	–	–	5 000	–	5 000
917	–	–	76 785	77 702	696	78 398
686	1 659	(125 499)	245 050	354 275	(28)	354 247
–	**–**	**–**	**–**	**–**	**(417)**	**(417)**
–	**1 536**	**–**	**–**	**2 536**	**–**	**2 536**
–	**–**	**–**	**–**	**(1 714)**	**–**	**(1 714)**
–	**(858)**	**–**	**–**	**1 014**	**–**	**1 014**
–	**–**	**–**	**–**	**–**	**423**	**423**
–	**–**	**125 499**	**(125 499)**	**–**	**–**	**–**
(224)	**–**	**–**	**91 604**	**91 380**	**299**	**91 679**
462	**2 337**	**–**	**211 155**	**447 491**	**277**	**447 768**

Summarised consolidated statement of cash flows

for the year ended 31 December 2016

	Notes	2016 R'000	2015 R'000
Cash generated from operations before net working capital changes		**109 763**	88 638
Cash generated from operations	10.1	**136 989**	104 899
Finance income		**711**	297
Finance costs		**(26 493)**	(17 250)
Taxation paid	10.2	**(1 444)**	692
Increase in net working capital	10.3	**(40 551)**	(66 067)
Cash flows from operating activities		**69 212**	22 571
Cash flows from investing activities		**(55 992)**	(26 098)
Property, plant and equipment acquired – maintaining operations	6	**(7 170)**	(6 929)
Proceeds on disposal of property, plant and equipment		**791**	1 562
Dividend income		**720**	1 700
Intangible assets acquired – maintaining operations	7	**(8 452)**	(7 791)
Net cash flow on acquisition of business combinations	10.4	**(41 881)**	(14 640)
Cash flows from financing activities		**48 845**	6 271
Increase of borrowings		**51 834**	8 496
Payment for buy-back of shares		**(1 714)**	(1 872)
Cash-settled share-based payments		**(858)**	–
Dividends paid		**(417)**	(353)
Net change in cash and cash equivalents		**62 065**	2 744
Cash and cash equivalents at the beginning of the year		**13 064**	10 320
Cash and cash equivalents at the end of the year	10.5	**75 129**	13 064

Notes to the summarised consolidated results

for the year ended 31 December 2016

1. Nature of operations and general information

Workforce Holdings and its group of companies is a leading, trusted provider of employment, training, healthcare wellness, financial and lifestyle services and benefits to individuals and their employers. Our human capital solutions include: temporary employment services, permanent placement recruitment, training and skills development, healthcare and wellness, disability solutions, financial and lifestyle services and business process outsourcing.

2. Basis of preparation and significant accounting policies

This report is extracted from audited information, but is not itself audited. The board of directors of Workforce ("the Board") takes full responsibility for the preparation of this report and that the financial information has been correctly extracted from the underlying annual financial statements. The audited underlying group financial statements are available for inspection at the company's registered office. The summarised consolidated results have been prepared in accordance with the International Accounting Standard ("IAS") 34, SAICA Financial Reporting Guides and the South African Companies Act, No 71 of 2008, as well as the SAICA Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.

The summarised consolidated results for the year ended 31 December 2016 were compiled under the supervision of W van Wyk, the group financial director. The summarised consolidated results have been prepared in accordance with International Financial Reporting Standards ("IFRS") and have been applied consistently with the accounting policies applied in the annual financial statements for the year ended 31 December 2016.

3. Audit opinion

The summarised consolidated results for the year ended 31 December 2016 have been audited by the group's auditors, Horwath Leveton Boner, and their unqualified audit report is available for inspection at the registered office of the group.

4. Posting of integrated annual report

The integrated annual report for the year ended 31 December 2016 will be despatched to shareholders on 31 March 2017.

5. Events after reporting date

Effective 1 January 2017, KBC Holdings Proprietary Limited and 1 February 2017 Oxyon Human Capital Solutions Proprietary Limited were acquired by Workforce Holdings Limited for maximum considerations of R47 million and R9 million respectively, and effective 1 March 2017, Day-Click Limited was acquired by Workforce Holdings Limited for a consideration of R484 000.

6. Property, plant and equipment

Motor vehicles
Computer equipment
Industrial equipment
Office equipment
Leasehold improvements
Training manuals
Land and buildings

The carrying value of property, plant and equipment can be reconciled as follows:

	Motor vehicles R'000	Computer equipment R'000
Carrying value at 1 January 2015	2 105	1 865
Additions	1 668	2 251
Disposals	(570)	(225)
Acquired through business combinations	1 212	35
Depreciation	(1 022)	(1 402)
Carrying value at 31 December 2015	3 393	2 524
Additions	984	3 345
Disposals	(637)	(23)
Acquired through business combinations	1 259	43
Depreciation	(1 306)	(1 749)
Carrying value at 31 December 2016	**3 693**	**4 140**

Cost 2016 R'000	Accumulated depreciation 2016 R'000	Carrying value 2016 R'000	Cost 2015 R'000	Accumulated depreciation 2015 R'000	Carrying value 2015 R'000
9 218	**(5 525)**	**3 693**	8 296	(4 903)	3 393
24 805	**(20 665)**	**4 140**	20 259	(17 735)	2 524
5 522	**(3 650)**	**1 872**	4 674	(2 648)	2 026
15 261	**(12 434)**	**2 827**	12 322	(10 961)	1 361
1 268	**(1 138)**	**130**	1 242	(1 059)	183
9 854	**(7 201)**	**2 653**	9 677	(6 688)	2 989
2 700	**–**	**2 700**	2 700	–	2 700
68 628	**(50 613)**	**18 015**	59 170	(43 994)	15 176

Industrial equipment R'000	Office equipment R'000	Leasehold improve-ments R'000	Training manuals R'000	Land and buildings R'000	Total R'000
463	1 263	227	1 129	–	7 052
1 975	916	78	41	–	6 929
–	(14)	–	–	–	(809)
–	33	–	3 030	2 700	7 010
(412)	(837)	(122)	(1 211)	–	(5 006)
2 026	1 361	183	2 989	2 700	15 176
445	2 193	25	178	–	7 170
(16)	–	–	–	–	(676)
53	62	–	–	–	1 417
(636)	(789)	(78)	(514)	–	(5 072)
1 872	**2 827**	**130**	**2 653**	**2 700**	**18 015**

6. Property, plant and equipment *(continued)*

All depreciation charges are included in "Depreciation and amortisation of non-financial assets" in the statement of comprehensive income. No property, plant and equipment has been impaired during the year (2015: Nil).

The net book value of motor vehicles held under instalment credit agreements at 31 December 2016 amounted to R1 460 340 (2015: R2 152 341). Motor vehicles acquired under instalment credit agreements amounted to R728 139 (2015: R1 147 227).

The Quyn Group was acquired on 1 February 2016, in order to give Workforce an increased presence in the provision of outsourced technical skills. Property, plant and equipment to the value of R1 389 000 was acquired as part of the business combination.

Gcubed was acquired on 1 May 2016 in order to increase Workforce's skills base and to enhance its permanent placement and executive search capability. Property, plant and equipment to the value of R28 000 was acquired as part of the business combination.

The group has no further contractual commitments to acquire property, plant and equipment at reporting date.

	Cost 2016 R'000	**Accumulated depreciation 2016 R'000**	**Carrying value 2016 R'000**	Cost 2015 R'000	Accumulated depreciation 2015 R'000	Carrying value 2015 R'000
7. Intangible assets						
Computer software	**51 162**	**(35 407)**	**15 755**	45 711	(29 156)	16 555
Brands	**3 209**	**(2 453)**	**756**	3 209	(1 409)	1 800
Client relationships	**19 510**	**(5 443)**	**14 067**	9 330	(252)	9 078
Work in progress	**8 552**	**–**	**8 552**	5 478	–	5 478
	82 433	**(43 303)**	**39 130**	63 728	(30 817)	32 911

The carrying amounts of intangible assets can be reconciled as follows:

	Computer software R'000	Brands R'000	Client relationships R'000	Work in progress R'000	Total R'000
Carrying value at 1 January 2015	18 297	2 870	–	2 527	23 694
Additions	4 840	–	–	2 951	7 791
Acquired through business combinations	–	–	9 330	–	9 330
Amortisation	(6 582)	(1 070)	(252)	–	(7 904)

7. Intangible assets *(continued)*

	Computer software R'000	Brands R'000	Client relationships R'000	Work in progress R'000	Total R'000
Carrying value at 31 December 2015	16 555	1 800	9 078	5 478	32 911
Additions	5 378	–		3 074	8 452
Disposals	(9)	–	–	–	(9)
Acquired through business combinations	–	–	10 180	–	10 180
Amortisation	(6 169)	(1 044)	(5 191)	–	(12 404)
Carrying value at 31 December 2016	**15 755**	**756**	**14 067**	**8 552**	**39 130**

The above amortisation expense is included in "Depreciation and amortisation of non-financial assets" in the statement of comprehensive income. No intangible assets have been impaired during the year (2015: Nil). Computer software is mostly internally generated.

The Quyn Group was acquired on 1 February 2016, in order to give Workforce an increased presence in the provision of outsourced technical skills. Intangibles to the value of R6 180 000 was acquired as part of the business combination.

Gcubed was acquired on 1 May 2016 in order to increase Workforce's skills base and to enhance its permanent placement and executive search capability. Intangibles to the value of R4 000 000 was acquired as part of the business combination.

The group has no further contractual commitments to acquire intangible assets at reporting date.

	2016 R'000	2015 R'000
8. Cash and cash equivalents		
Cash and cash equivalents include the following components:		
Cash at bank and in hand	**74 181**	12 142
Short-term deposits	**948**	922
	75 129	13 064

The carrying value of cash and cash equivalents is considered a reasonable approximation of fair value.

	2016 R'000	2015 R'000
9. Earnings per share		
Basic earnings per share		
The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:		
Profit attributable to equity shareholders of the parent company(R'000)	**91 604**	76 785
Weighted average number of ordinary shares in issue ('000)	**228 577**	225 328
Diluted weighted average number of shares in issue ('000)	**240 643**	236 619
Basic earnings per share (cents)	**40,1**	34,0
Diluted earnings per shares (cents)	**38,1**	32,5
Headline earnings per share		
The earnings used in the calculation of headline earnings per share are as follows:		
Profit attributable to equity shareholders of the parent company (R'000)	**91 604**	76 785
Headline earnings adjustment (R'000)	**(87)**	(1 806)
(Gain) on disposal of property, plant and equipment	**(121)**	(809)
Dividend income	**–**	(1 700)
Tax effects of adjustments	**34**	703
Total headline earnings (R'000)	**91 517**	74 979
Weighted average number of shares in issue ('000)	**228 577**	225 328
Headline earnings per share (cents)	**40,0**	33,3
The weighted average number of ordinary shares for the purpose of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:	**228 577**	225 328
Shares deemed to be issued in respect of:		
Employee options	**12 066**	11 291
Weighted average number of ordinary shares in the calculation of diluted earnings per share	**240 643**	236 619
10. Notes to the statement of cash flows		
10.1 Cash generated from operations		
Profit before taxation	**91 168**	76 723
Interest income	**(711)**	(297)
Dividend income	**(720)**	(1 700)
Finance costs	**26 489**	17 250

	2016 R'000	2015 R'000

10. Notes to the statement of cash flows *(continued)*

10.1 *Cash generated from operations* *(continued)*

	2016 R'000	2015 R'000
Adjusted for non-cash items:		
Gain on disposal of property, plant and equipment	**(121)**	(809)
Depreciation and amortisation of non-financial assets	**17 476**	12 910
Equity-settled share-based payments	**1 536**	761
Shares issued	**1 872**	–
Other	**–**	61
	136 989	104 899

10.2 *Taxation paid*

	2016 R'000	2015 R'000
Charged to profit or loss	**735**	758
Adjusted for deferred tax	**(2 400)**	(520)
Movement in taxation balance	**221**	454
	(1 444)	692

10.3 *Working capital changes*

	2016 R'000	2015 R'000
Change in trade and other receivables	**(52 182)**	(69 404)
Change in inventories	**1 369**	(1 026)
Change in trade and other payables	**10 262**	4 363
	(40 551)	(66 067)

10.4 *Net cash flow on acquisition of business combinations*

	2016 R'000	2015 R'000
Net cash outflow on the acquisition of subsidiaries		
Quyn Group	**(39 381)**	–
Net cash outflow on the acquisition of subsidiaries		
Gcubed	**(2 500)**	–
Net cash outflow on the acquisition of subsidiaries – prior year acquisition	**–**	(14 640)
	(41 881)	(14 640)

10.5 *Cash and cash equivalents*

	2016 R'000	2015 R'000
Bank and cash balances (note 8)	**75 129**	13 064
	75 129	13 064

11. Segment reporting

The group's segmental analysis is based on the following five core business segments:

- Staffing and Recruitment: Comprises the provision of staff and labour outsourcing solutions and recruitment and specialist staffing, which includes permanent and temporary placements, ad-response handling, executive search and the importing and exporting of skills.
- Training and Consulting: Comprises the provision of industry and job-specific skills assessments and training interventions to business and their employees across all industry sectors.

11. Segment reporting *(continued)*

- Employee Health Management: Comprises the provision of a comprehensive range of occupational and primary health management services and assistance and wellness services.
- Financial and Lifestyle Products: Comprises the provision of a range of lifestyle products and support services to employees and their families.
- Process Outsourcing: Comprises the delivery of productive and functional business process outsourcing solutions, including the statutory and legal elements associated therewith.

Segment information can be analysed as follows for the reporting periods under review:

	Staffing and recruitment R'000	Training and consulting R'000
2016		
Segment revenues	**2 160 288**	**88 383**
Inter-segment revenue	**1 614**	**16 361**
Cost of sales	**(1 702 335)**	**(43 862)**
Inter-segment cost of sales	**(1 616)**	**–**
Operating costs	**(284 660)**	**(35 704)**
Other income	**–**	**–**
EBITDA	**173 291**	**25 178**
Depreciation and amortisation of non-financial assets	**(3 691)**	**(870)**
Segment operating profit	**169 600**	**24 308**
Capital expenditure	**21 548**	**1 591**
Segment total assets	**402 977**	**79 401**
Segment total liabilities	**(54 217)**	**(64 249)**
Net segment assets	**348 760**	**15 152**
2015		
Segment revenues	1 665 232	48 210
Inter-segment revenue	3	5 969
Cost of sales	(1 314 678)	(23 606)
Inter-segment cost of sales	–	–
Operating costs	(213 790)	(26 693)
Other income	–	–
EBITDA	136 767	3 880
Depreciation and amortisation of non-financial assets	(2 799)	(741)
Segment operating profit	133 968	3 139
Capital expenditure	2 084	17 059
Segment total assets	311 680	76 034
Segment total liabilities	(18 873)	(62 162)
Net segment assets	292 807	13 872

Employee health management R'000	Financial and lifestyle products R'000	Process outsourcing R'000	Shared services and central costs R'000	Consoli-dation entries R'000	Total R'000
39 508	**93 490**	**141 736**	**–**	**–**	**2 523 405**
–	**4 026**	**12 734**	**–**	**(34 735)**	**–**
(13 628)	**(30 927)**	**(130 224)**	**(3 449)**	**–**	**(1 924 425)**
–	**(4 026)**	**(12 360)**	**–**	**18 002**	**–**
(22 884)	**(48 708)**	**(9 230)**	**(77 357)**	**16 733**	**(461 810)**
–	**720**	**–**	**–**	**–**	**720**
2 996	**14 575**	**2 656**	**(80 806)**	**–**	**137 890**
(865)	**(2 177)**	**(108)**	**(4 874)**	**(4 891)**	**(17 476)**
2 131	**12 398**	**2 548**	**(85 680)**	**(4 891)**	**120 414**
617	**3 397**	**65**	**–**	**–**	**27 218**
2 883	**221 954**	**5 145**	**174 790**	**–**	**887 150**
(2 915)	**(237 202)**	**(4 537)**	**(76 262)**	**–**	**(440 382)**
(32)	**(15 248)**	**608**	**97 528**	**–**	**446 768**
36 591	69 710	130 028	–	–	1 949 771
–	9 414	–	–	(15 386)	–
(14 915)	(21 855)	(119 880)	–	–	(1 494 934)
–	(6 778)	–	–	6 778	–
(18 894)	(37 093)	(7 306)	(54 783)	8 608	(349 951)
–	1 700	–	–	–	1 700
2 782	15 098	2 842	(54 783)	–	106 586
(671)	(2 622)	(93)	(5 984)	–	(12 910)
2 111	12 476	2 749	(60 767)	–	93 676
2 251	3 343	46	6 277	–	31 060
3 208	166 435	17 152	113 024	–	687 533
(2 776)	(174 910)	(16 692)	(57 873)	–	(333 286)
432	(8 475)	460	55 151	–	354 247

Background and year under review

Workforce Holdings is a leading and trusted provider of employment, training, healthcare wellness and financial services and lifestyle benefits to individuals and their employers, across all industries throughout the economy.

Our purpose is to make a meaningful and sustainable difference to people's lives by finding employment for people and to further empower them by providing access to appropriate training, healthcare wellness, financial services and lifestyle benefits. These key objectives and goals are aligned with those of the South African government.

We are proud to report that we employ 1 186 people and paid 75 138 temporary contractors during the year under review. In addition, we trained 14 573 people (3 109 on learnership and internship programmes), have issued over 24 000 lifestyle benefit insurance policies and conducted over 50 000 medical examinations through our 27 operating brands, network of 93 branches and nine training centres across South Africa.

Financial performance

Our results for the reporting period have shown significant improvement on previous years. This has been achieved against the backdrop of a sluggish economy coupled with ever increasing levels of unemployment and amended labour regulations. The prevailing tough economic environment has highlighted the resilience of our diversified and integrated business model, reinforced by the effectiveness of our customer-centric product and service solutions that have been delivered to the market from our national branch network.

These results were achieved mainly from a strong performance in our two largest operating segments – the staffing and recruitment segment, led by our core blue collar Workforce Staffing business, and our training segment, which benefited from the acquisition of Prisma Training Solutions Proprietary Limited ("Prisma") in October 2015 and which was included in our results for a full 12 months for the first time during this financial year.

Turnover for the 2016 fiscal year reflects an increase of 29.4% to R2,52 billion (2015: R1,95 billion). Turnover grew organically by 16.6% whilst the remainder of the increase is attributable to the two acquisitions made during the 2015 and 2016 financial years, namely Prisma and the Quyn group of companies, effective 1 February 2016. Operating costs have increased by 32% while operating costs as a percentage of revenue is at 18.3% (2015: 17.9%). Operating expenses were negatively affected by an increase in trade receivable impairments of R29,5 million (2015: R8,5 million) and an increased spend in shared services, to support business growth.

EBITDA increased by 29.4% to R137,9 million (2015: R106,6 million). EBITDA attributable to organic growth, though positive, has been negated by the increase in trade receivable impairments and shared services costs as described above. The companies acquired during the 2015 and 2016 financial years contributed R25,4 million (2015: R1,5 million) to EBITDA. However, due to the IFRS charges of imputed interest, intangible amortisations, and incremental interest paid on the increased debt to fund the acquisitions, the contribution of the acquired companies to our earnings per share has been marginal.

Our diversification strategy is starting to bear fruit with the staffing and recruitment segment now contributing 79% of our segmental EBITDA versus an 86% contribution in 2015. Our training and consulting operating segment has grown significantly and now comprises 11.5% of our segmented EBITDA (2.4% in 2015). We will continue to drive growth in our training segment both organically and acquisitively. We recognise too that the staff outsourcing segment of our group is an important and growing business and, coupled with the consolidated opportunities in this industry, we will continue to pursue potential acquisitions in this space.

The increase in depreciation and amortisation to R17,4 million (2015: R12,9 million) primarily relates to intangible asset amortisation as a result of the acquisitions.

Net interest cost increased to R29,2 million (2015: R16,9 million). The increase is mostly attributable to imputed interest as prescribed by International Financial Reporting Standards, as well as relatively higher debt levels during the year due to acquisitions funded by debt. Despite this, net debt levels increased only marginally by 8.4% at year end to R239,5 million (2015: R221 million).

Headline earnings per share increased by 20.1% to 40,0 cents (2015: 33,3 cents).

Taxation

The group continued to benefit from the employment tax incentive programme as well as from learnership allowances in terms of section 12H of the Income Tax Act, 1962 (Act 58 of 1962).

The employment tax incentive represents a lower percentage of total EBITDA in 2016 relative to 2015 but remains a significant contributor to our financial results. This programme, which incentivises the employment of youth for new projects, was extended until February 2019. The learnership tax allowances have been extended until 1 April 2022.

Cash flow

Days sales outstanding has remained relatively stable at 46 days (2015: 45 days). Overdue debtors older than 90 days improved to 5.0% (2015: 7.8%). Operating cash flows generated improved to R69,2 million (2015: R22,5 million). The group's operating cash conversion ratio improved to 70% (2015: 36%). This ratio has been curtailed by the high growth experienced during the year as well as the higher than normal bad debt write offs as described earlier. Cash flows from operating activities was mostly utilised to fund acquisition of businesses to the amount of R41,9 million (2015: R14,6 million). The group ended the year with cash and cash equivalents of R75,1 million (2015: R13,1 million).

Gearing

Net interest-bearing debt to total assets improved to 27% (2015: 36%) despite payments arising from acquisitions. Included in interest-bearing debt are contingent amounts owing to sellers of acquired companies to the amount of R45 million (2015: R22 million).

Group structure and Africa

In alignment with our strategy to diversify the group's income, we continued our efforts to solidify leadership and management structures. In addition to the appointment of Philip Froom as group CEO, we are also currently expanding the depth and quality of our internal audit, financial resources and group financial department. The growth in our underlying businesses is also necessitating further investments in our shared services areas including information technology, human resources, marketing and legal.

The restructure of our core business, Workforce Staffing and the appointment of Sean Momberg as its managing director in January 2016, produced positive results with this business gaining market share and delivering particularly pleasing returns. The period under review also saw the official commencement of Workforce Africa operations and branches were opened in Mozambique, Namibia and Botswana. We are currently investigating partnership opportunities in other African territories. Our presence in these territories has been initiated on a conservative basis to establish an operational footprint with as little risk as possible and has largely been pursued via our existing client base.

Workforce delegates authority and responsibility to its divisions and businesses to give its people a sense of ownership and responsibility. This motivates them to innovate within a defined business model and risk parameters, enhanced by corporate support and shared services, including a governance framework.

Acquisitions

During the financial year under review, we continued with our stated acquisition strategy of actively seeking to grow market share within both our core business and our diversified service offerings by sourcing and concluding relevant and meaningful acquisitions of suitable businesses. We have refined our acquisition criteria and have become more efficient in identifying quality, businesses which are profitable and cash generative and that are also underpinned by strong management teams that share Workforce's entrepreneurial culture and values. Prisma, the mining focused training provider as reported above performed well and has exceeded its profit projections.

On 1 February 2016, we concluded the acquisition of the Quyn group of companies ("Quyn"). Quyn is primarily a temporary employment services ("TES") provider which focuses on the outsourcing of higher skilled technical and engineering staff, whilst providing allied services such as payroll administration and human resources/industrial relations services. This acquisition has allowed Workforce to broaden and upgrade its temporary skills offering into the market and to also diversify its client base. Whilst Quyn has contributed positively to the profitability of the group, it has also been impacted by delays in the commencement of certain infrastructural projects.

With effect from 1 May 2016, we acquired the business of Gcubed Boutique Recruitment ("Gcubed") as a going concern. Gcubed is a niche permanent placement recruitment and executive search business. The transaction, while not material from a size or value perspective, has given the group access to a unique skillset in the executive search arena whilst at the same time complementing our existing recruitment businesses.

We continue evaluating and assessing a range of acquisition opportunities. Acquisitive growth remains a core strategic thrust for the group.

Events after reporting date

Effective 1 January 2017, KBC Holdings Proprietary Limited ("KBC") was acquired by the group for a maximum contingent consideration of R47 million. KBC is a training business that provides induction training and safety health and environment training as well as contractor on-boarding and management services primarily to the mining and minerals sectors, where KBC enjoys meaningful market share and brand equity.

Effective 1 February 2017, the business of Oxyon Human Capital Solutions was acquired for a maximum contingent consideration of R9 million. Oxyon was established 20 years ago as a TES provider and permanent placement recruitment business with a niche focus on higher level technical and artisanal skills, primarily within the engineering industry.

Effective 1 March 2017, we acquired 76% of Day-Click Limited, a business that provides TES and permanent recruitment services in Mauritius.

Management anticipates that meaningful synergies and value will be unlocked from the above acquisitions.

The board

During the year, non-executive director Lulu Letlape resigned. The board extends its appreciation to Lulu for the valuable contribution she made to the group during the six years she served on the board.

Philip Froom was appointed as an executive director and group chief executive officer in August 2016.

Shelley Thomas was appointed as a non-executive director, a member of the audit and risk committee and chairperson of the social and ethics committee in December 2016.

Investor policy

Diversification of our shareholder base and an improvement in the liquidity of our shares on the JSE is constantly being considered. Communication with shareholders, the capital markets and all our stakeholders have been deliberately enhanced. This coupled with our improved financial performance has seen Workforce's market capitalisation exceed R500 million for the first time.

Outlook

The nature of the group's business model is defensive in nature and the various businesses that make up the Workforce group of companies continue to benefit from the various initiatives that the government introduces to drive economic growth.

Government aims to transform the economy through training, job creation and increased investment. Government's progress on its delayed infrastructure development plans should result in further demand for our group's services.

From a regulatory point of view, we welcome the introduction of a minimum wage and although it may initially create a degree of uncertainty, in the longer term we believe it will improve the stability of labour in the country and will provide fairer and more sustainable pay structures. We do not, at this stage, believe it will have any material impact on our earnings.

With the activities and services that our group undertakes, we create shared value by making a meaningful and sustainable difference in people's lives and see ourselves as a substantial contributor to the socio-economic development of the communities in which we operate. There is a clear sense of purpose within the group and our business unit leaders are optimistic about the prospects of their respective businesses.

Appreciation

People are the heart of our business and we would like to thank our group's directors, managers, employees and professional advisers for their ongoing passion and contribution to the various businesses of the group. We also extend our appreciation to our outsourced employees, trainees, learners and interns for the dedication and commitment they continue to display and to our customers for the faith that they have demonstrated in our ability to provide the vital component of labour into their organisations. Collectively, their contribution and confidence is paramount to our business success.

Ronny Katz
Executive chairman

Philip Froom
Chief executive officer

Willie van Wyk
Financial director

Executive directors
RS Katz
PM Froom
WP van Wyk

Non-executive directors
NM Anderson
JR Macey
K Vundla
S Thomas

Designated adviser
Merchantec Proprietary Limited trading as Merchantec Capital

Company secretary
S van Schalkwyk

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