Workforce Holdings Limited
(Incorporated in the Republic of South Africa)
(Registration number 2006/018145/06)
JSE Code: WKF ISIN: ZAE000087847)
("Workforce" or "the group")
UNAUDITED CONDENSED INTERIM FINANCIAL RESULTS
for the six months ended 30 June 2012

Highlights

HEPS and EPS increased by 22% to 3,9 cents per share.
Revenue increased by 14% to R 718 M
Net asset value per share increased to 91 cents per share

Condensed Consolidated Statement of Comprehensive Income
for the six months ended 30 June 2012

	Notes	6 months to 30 June 2012 R'000	6 months to 30 June 2011 R'000	Year to 31 December 2011 R'000
Revenue	7	718 222	630 221	1 348 561
Cost of sales		(559 335)	(484 459)	(1 039 586)
Gross profit		158 887	145 762	308 975
Operating costs		(139 413)	(129 271)	(267 974)
Earnings before impairment, depreciation, amortisation, interest and taxation (EBITDA)		19 474	16 491	41 001
Depreciation and amortisation of non-financial assets		(4 375)	(3 831)	(7 694)
Operating profit	7	15 099	12 660	33 307
Finance income		1 006	686	3 434
Finance costs		(6 287)	(5 315)	(10 896)
Profit before taxation	7	9 818	8 031	25 845
Taxation	8	(687)	(618)	(1 916)

Profit for the period		9 131	7 413	23 929
Other comprehensive income for the period, net of tax		185	46	139
Fair value gains on available-for-sale financial assets		185	46	139
Total comprehensive income for the period		9 316	7 459	24 068
Profit for the period attributable to:				
Owners of the parent		8 730	7 170	23 445
Non-controlling interests		401	243	484
		9 131	7 413	23 929
Total comprehensive income attributable to:				
Owners of the parent		8 915	7 216	23 584
Non-controlling interests		401	243	484
		9 316	7 459	24 068
Earnings per share (cents)	9			
Basic and fully diluted		3.9	3.2	10.4
Headline		3.9	3.2	10.4

Condensed Consolidated Statement of Financial Position at 30 June 2012

	Notes	6 months to 30 June 2012 R'000	6 months to 30 June 2011 R'000	Year to 31 December 2011 R'000
Assets				
Non-current assets		78 397	72 471	76 925
Property, plant and equipment	4	8 878	9 156	9 187
Goodwill		41 280	41 280	41 280
Other intangible assets	5	14 368	9 972	13 165
Deferred tax assets		11 615	10 078	11 215

Other financial assets		2 256	1 985	2 078
Current assets		376 499	325 236	371 317
Trade and other receivables		361 998	303 187	351 136
Inventories		4 048	2 498	3 343
Taxation		767	2 862	861
Cash and cash equivalents	6	9 686	16 689	15 977
Total assets		454 896	397 707	448 242
Equity and liabilities				
Equity		206 803	181 263	197 487
Share capital and premium		236 867	236 867	236 867
IFRS 3 Reverse acquisition adjustment		(125 499)	(125 499)	(125 499)
Treasury shares		(7 616)	(7 616)	(7 616)
Available for sale reserve		416	138	231
Retained earnings		102 125	77 120	93 395
Equity attributable to owners of the parent		206 293	181 010	197 378
Non-controlling interests		510	253	109
Non-current liabilities		12 430	12 983	13 091
Borrowings		9 009	9 776	9 153
Deferred tax liabilities		3 421	3 207	3 938
Current liabilities		235 663	203 461	237 664
Trade and other payables		68 625	56 193	62 521
Borrowings		167 031	134 418	175 139
Bank overdrafts	6	7	12 850	4
Total equity and liabilities		454 896	397 707	448 242
Group net asset value per share (cents per share)		91.4	80.3	87.5

Condensed Consolidated Statement of Changes in Equity
for the six months ended 30 June 2012

Attributable to owners of the parent

	Share capital and premium R'000	Reverse acquisition adjustment R'000	Treasury shares R'000	Available for sale reserve R'000
Balance at 1 January 2012	236 867	(125 499)	(7 616)	231
Total comprehensive income for the period	-	-	-	185
Balance at 30 June 2012	236 867	(125 499)	(7 616)	416
Balance at 1 January 2011	236 867	(125 499)	(7 616)	92
Total comprehensive income for the period	-	-	-	46
Balance at 30 June 2011	236 867	(125 499)	(7 616)	138
Balance at 1 January 2011	236 867	(125 499)	(7 616)	92
Payment of dividends	-	-	-	-
Total comprehensive income for the year	-	-	-	139
Balance at 31 December 2011	236 867	(125 499)	(7 616)	231

	Retained earnings R'000	Total R'000	Non-controlling interests R'000	Total equity R'000
Balance at 1 January 2012	93 395	197 378	109	197 487
Total comprehensive income for the period -	8 730	8 915	401	9 316
Balance at 30 June 2012	102 125	206 293	510	206 803
Balance at 1 January 2011	69 950	173 794	10	173 804
Total comprehensive income for the period	7 170	7 216	243	7 459
Balance at 30 June 2011	77 120	181 010	253	181 263
Balance at 1 January 2011	69 950	173 794	10	173 804
Payment of dividends	-	-	(385)	(385)
Total comprehensive income for the year	23 445	23 584	484	24 068
Balance at 31 December 2011	93 395	197 378	109	197 487

Condensed Consolidated Statement of Cash Flows
for the six months ended 30 June 2012

	Notes	6 months to 30 June 2012 R'000	6 months to 30 June 2011 R'000	Year to 31 December 2011 R'000
Cash generated from operations before net working capital changes		12 632	8 717	30 591
Profit before tax		9 818	8 031	25 845
Adjustments for non-cash items		4 324	3 861	7 625
Taxes paid		(1 510)	(3 175)	(2 879)
Decrease in net working capital		(5 463)	(23 286)	(65 751)
Cash flow from operating activities		7 169	(14 569)	(35 160)
Investing activities				
Property, plant and equipment acquired	4	(2 212)	(2 110)	(4 396)
Acquisition adjustment to purchase price of subsidiary previously acquired		-	(75)	(75)
Proceeds on disposal of property, plant and equipment		374	276	593
Intangible assets acquired	5	(3 373)	(1 615)	(6 634)

Cash flow from investing activities		(5 211)	(3 524)	(10 512)
Financing activities				
(Repaid)/proceeds from borrowings		(8 252)	(25 513)	14 585
Dividends paid		-	-	(385)
Cash flow from financing activities		(8 252)	(25 513)	14 200
Net change in cash and cash equivalents		(6 294)	(43 606)	(31 472)
Cash and cash equivalent at beginning of period		15 973	47 445	47 445
Cash and cash equivalents at end of the period	6	9 679	3 839	15 973

Notes to the Condensed Consolidated Interim Financial Statements
at 30 June 2012

1. Nature of operations and general information

The principle activities of Workforce Holdings Limited and its subsidiaries are staff outsourcing, recruitment and specialist staffing and human resources support services (including the provision of financial and retail lending products).

The consolidated interim financial statements are presented in South African Rand (ZAR), which is also the functional currency of the parent company.

The consolidated interim financial statements were approved for issue by the Board of Directors on 20 August 2012.

2. Basis of preparation and significant accounting policies

The condensed consolidated interim financial statements have been prepared in compliance with the Listings Requirements of the JSE Limited, International Accounting Standard

(IAS) 34, *Interim Financial Reporting* and the South African Companies Act, No 71 of 2008, as well as AC500 Standards as issued by the Accounting Practices Board or its successor.

The condensed interim financial statements for the six months ended 30 June 2012 were compiled under the supervision of W van Wyk, the Chief Financial Officer. The condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards and have been applied consistently with the accounting policies applied in the previous reporting period.

These condensed consolidated interim financial results have not been audited nor reviewed by the group's auditors.

3. Events after reporting date
No material events occurred between the reporting date and the date of approval of these condensed financial statements.

4. Additions and disposals of property, plant and equipment

	Motor vehicles R'000	Computer equipment R'000	Industrial equipment R'000	Office equipment R'000
6 months to June 2012				
Carrying amount at 1 January 2012	1 861	2 926	182	1 810
Additions	583	588	11	718
Disposals	(302)	(11)	-	(3)
Depreciation	(437)	(856)	(30)	(309
Carrying amount at 30 June 2012	1 705	2 647	163	2 216
6 months to June 2011				
Carrying amount at 1 January 2011	2 720	1 729	321	2 511
Additions	518	738	-	467
Disposals	(220)	-	(80)	(5)
Depreciation	(559)	(504)	(29)	(956)

Carrying amount at 30 June 2011	2 459	1 963	212	2 017
Year to 31 December 2011				
Carrying amount at 1 January 2011	2 720	1 729	321	2 511
Additions	672	1 734	-	1 170
Disposals	(470)	(1)	-	(51)
Reclassifications	-	594	(80)	(514)
Depreciation	(1 061)	(1 130)	(59)	(1 306)
Carrying amount at 31 December 2011	1 861	2 926	182	1 810

	Leasehold improvements R'000	Training manuals R'000	Total R'000
6 months to June 2012			
Carrying amount at 1 January 2012	380	2 028	9 187
Additions	54	258	2 212
Disposals	-	-	(316)
Depreciation	(49)	(524)	(2 205)
Carrying amount at 30 June 2012	385	1 762	8 878
6 months to June 2011			
Carrying amount at 1 January 2011	202	2 416	9 899
Additions	195	192	2 110
Disposals	-	-	(305)
Depreciation	(28)	(472)	(2 548)
Carrying amount at 30 June 2011	369	2 136	9 156
Year to 31 December 2011			
Carrying amount at 1 January 2011	202	2 416	9 899
Additions	258	562	4 396
Disposals	-	(1)	(523)
Reclassifications	-	-	-
Depreciation	(80)	(949)	(4 585)
Carrying amount at 31 December 2011	380	2 028	9 187

5. Additions and disposals of intangible assets

	Computer software R'000	Total R'000
6 months to June 2012		
Carrying amount at 1 January 2012	13 165	13 165
Additions	3 373	3 373
Amortisation	(2 170)	(2 170)
Carrying amount at 30 June 2012	14 368	14 368
6 months to June 2011		
Carrying amount at 1 January 2011	9 640	9 640
Additions	1 615	1 615
Amortisation	(1 283)	(1 283)
Carrying amount at 30 June 2011	9 972	9 972
Year to 31 December 2011		
Carrying amount at 1 January 2011	9 640	9 640
Additions	6 634	6 634
Amortisation	(3 109)	(3 109)
Carrying amount at 31 December 2011	13 165	13 165

6. Cash and cash equivalents

Cash and cash equivalents include the following components:

	30 June 2012 R'000	30 June 2011 R'000	December 2011 R'000
Cash at bank and in hand	9 686	16 689	15 977
Bank overdraft	(7)	(12 850)	(4)
	9 679	3 839	15 973

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

7. Segment analysis

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

-Staffing and Recruitment comprises staff outsourced which provides human resources to clients on both a short-and long-term basis, recruitment and specialist staffing, which includes permanent and temporary placements, ad-response handling, executive search, call centre staffing and importing and exporting of skills.

- Training and Consulting, which responds to market demands as a registered Private Further Education and Training (FET) provider.

- Financial and Lifestyle Products, which offers a range of lifestyle products and support services to employees.
- Employee Health Management, which offers a comprehensive range of occupational and primary health management services.
- Process Outsourcing, which focusses on delivering productive and functional business process outsourcing solutions, including the statutory and legal elements associated therewith.

These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results. Revenues and profit generated by each of the group's business Segments are summarised as follows:

	Staffing and Recruitment R'000	Training and Consulting R'000	Financial and Lifestyle Products R'000	Employee Health Management R'000
6 Months to June 2012				
Segment revenues	645 791	14 406	23 974	12 351
Cost of sales	(521 365)	(4 174)	(10 111)	(4 959)
Operating Costs	(87 907)	(10 064)	(8 331)	(6 315)
Depreciation and amortisation of non-financial assets	(1 313)	(640)	(833)	(78)
Segment operating profit	35 206	(472)	4 699	999
Capital Expenditure	807	453	1 865	283
Segment total assets	256 708	15 227	85 885	5 707
Segment Total Liabilities	(60 958)	(1 297)	(11 086)	(1 351)

Net Segment Assets	195 750	13 930	74 799	4 356
6 Months to June 2011				
Segment revenues	574 341	11 741	16 834	10 090
Cost of sales	(459 138)	(2 687)	(4 518)	(4 679)
Operating Costs	(84 433)	(8 341)	(5 832)	(4 251)
Depreciation and amortisation of non-financial assets	(1 629)	(628)	(446)	(59)
Segment operating profit	29 141	85	6 038	1 101
Capital Expenditure	1 124	581	563	16
Segment total assets	253 935	8 645	52 779	5 052
Segment Total Liabilities	(79 519)	(434)	(1 178)	(1 269)
Net Segment Assets	174 416	8 211	51 601	3 783
Year to 31 December 2011				
Segment revenues	1 227 649	23 914	45 389	21 226
Cost of sales	(1 036 997)	(5 711)	(12 266)	(8 737)
Operating Costs	(199 052)	(16 810)	(14 543)	(10 015)
Depreciation and amortisation of non-financial assets	(2 830)	(1 235)	(1 334)	(123)

Segment operating profit	(11 230)	158	17 246	2 351
Capital Expenditure	2 767	466	3 971	91
Segment total assets	250 444	11 112	75 194	3 992
Segment Total Liabilities	(65 929)	(1 693)	(2 131)	(897)
Net Segment Assets	184 515	9 419	73 063	3 095

	Process Outsou-rcing R'000	Central cost R'000	Conso-lidated entries R'000	Total R'000
6 Months to June 2012				
Segment revenues	26 374	-	(4 674)	718 222
Cost of sales	(18 726)	-	-	(559 335)
Operating Costs	(7 849)	(23 621)	4 674	(139 413)
Depreciation and amortisation of non-financial assets	(41)	(1 470)	-	(4 375)
Segment operating profit	(242)	(25 091)	-	15 099
Capital Expenditure	251	1 926	-	5 585
Segment total assets	1 835	89 534	-	454 896
Segment Total Liabilities	(127)	(173 274)	-	(248 093)
Net Segment Assets	1 708	(83 740)	-	206 803
6 Months to June 2011				
Segment revenues	20 929	-	(3 714)	630 221
Cost of sales	(13 437)	-	-	(484 459)

Operating Costs	(6 991)	(23 137)	3 714	(129 271)
Depreciation and amortisation of non-financial assets	(40)	(1 029)	-	(3 831)
Segment operating profit	461	(24 166)	-	12 660
Capital Expenditure	193	1 248	-	3 725
Segment total assets	1 965	75 331	-	397 707
Segment Total Liabilities	(409)	(133 635)	-	(216 444)
Net Segment Assets	1 556	(58 304)	-	181 263
Year to 31 December 2011				
Segment revenues	40 760	-	(10 377)	1 348 561
Cost of sales	24 125	-	-	(1 039 586)
Operating Costs	4 481	(42 412)	10 377	(267 974)
Depreciation and amortisation of non-financial assets	(77)	(2 095)	-	(7 694)
Segment operating profit	69 289	(44 507)	-	33 307
Capital Expenditure	133	3 602	-	11 030
Segment total assets	1 527	105 973	-	448 242
Segment Total Liabilities	(149)	(179 956)	-	(250 755)
Net Segment Assets	1 378	(73 983)	-	197 487

8. Taxation

The effective tax rate of 7% for the period is mostly due to learnership allowances granted.

9. Earnings per share

	6 months to 30 June 2012	6 months to 30 June 2011	Year to 31 December 2011
Basic earnings per share			
Profit attributable to equity shareholders (R'000)	8 730	7 170	23 445
Weighted average number of shares in issue ('000)	225 630	225 630	225 630
Basic earnings per share (cents)	3.9	3.2	10.4
There are no potential dilutive share, therefore diluted earnings per share equates to basic earnings per share.			
Headline earnings per share			
The earnings used in the calculation of headline earnings per share are as follows:			
Profit after taxation (R'000)	8 730	7 170	23 445
Headline earnings adjustment (R'000)			
- Loss/(gain) on disposal of property, plant and equipment	(51)	63	(69)
- Tax effect of adjustments	14	(18)	19
Total headline earnings (R'000)	8 693	7 215	23 395
Weighted average number of shares in issue ('000)	225 630	225 630	225 630
Headline earnings per share (cents)	3.9	3.2	10.4

10. Dividends

No dividend was declared relating to the period under review.

11 Business combinations
No business combinations occurred during the period under review.

12 Related party transactions
The group, in the ordinary course of business, entered into various sale and purchase transactions on an arm’s length basis at market rates with related parties.

DIRECTORS' COMMENTARY
Operational Review

The financial results of our group for the first six months of the year 2012 are pleasing given the tough trading environment and the legislative uncertainty that the group has been exposed to with regard to the proposed amendments to the Labour Relations Act. Management continued to focus on strategic objectives with emphasis being placed on diversification of revenue streams within core niche markets thereby enabling the group’s vision of being the leading provider of innovative and diversified employer-centric solutions.
Group revenue of R718 million for the 6 months ending June 2012 was 14% ahead of revenue generated in the prior year. This translated into an increase in EBITDA of 18%, whilst earnings of 3,9 cents per share (2011:3,2 cents) was 21,8% ahead of those reported for the prior year.
The group’s staffing and recruitment segment has on the whole performed well, with material progress being made in the white collar specialist recruitment divisions. This we believe is being driven predominantly by a shortage of skills, particularly in the engineering, trades and information technology sectors. The group’s blue collar staffing businesses continued to show strong growth in market share. Aggressive growth has resulted in softer gross margins (22,1% - 2012 as compared to 23,1% - 2011).
The group’s training and consulting segment started the year slowly, with most of the emphasis being placed on ensuring operational readiness for what we believe will be a significant increase in demand for this segment’s services. This is being driven by amongst others South Africa’s shortage of artisan and trade skills. Training Force has been instrumental in delivering on the group’s various skills

development initiatives which has contributed to a lower effective tax rate for the period.
Financial and lifestyle products and services provided through the group's brands, Babereki and Dreams Direct continued to show steady growth in earnings. This diversification contributes approximately 28% of the group's EBITDA. New markets are currently being explored, with a strong focus on ensuring sustainability through the ongoing development of credit vetting, granting and collection systems.
Employee health and wellness management has been identified as a major contributor toward ensuring increased productivity within the workplace across all categories of employees. Workforce Healthcare is making steady progress in capturing new market share with a 22,4% increase in revenue. Further investment has been made in people and systems which have resulted in increased operational costs, the benefits of which we believe should be realised in 2013.
Increased demand from customers requiring more complex end-to-end outsourced services is driving the growth within our process outsourcing business segment. Our ability to integrate the various operating segments and value propositions across our group and provide this in a seamless format to our clients is proving to be a key differentiator for us.
Overhead costs were kept in line with inflationary trends despite continuing upward cost pressure.
The collections environment remained challenging. Debtors days outstanding at June 2012 reduced to 57 days, down from 58 days as at year end December 2011. The focus on cash generation remains key to our strategy which has resulted in R7.2 million cash flow from operations as compared to a R14.6 million deficit as at June 2011.
The currently debated amendments to the Labour Relations Act will bring more complexity to an already complex labour environment. Organisations will require more than ever the expertise and value that we as a group can offer. It is therefore anticipated that the impact of the proposed bills on our business will be minimal and will result in consolidation opportunities which we are well positioned to take full advantage of. Prospects based on the positive trends reflected in these interim results, the
directors believe that turnover in all divisions of the group may further increase in the second half of the year, which together with a continued focus on achieving operational

efficiencies and tight working capital management, should result in increased profitability. The group's liquidity is expected to improve, which places it in a strong position to take advantage of any market-based opportunities.

No changes to the Board has occurred during the period under review.

For and on behalf of the board

RS Katz	LH Diamond	WP van Wyk
(Chairman)	(Chief Executive Officer)	(Group Financial Director)

Johannesburg
21 August 2012

Executive directors
RS Katz, LH Diamond, WP van Wyk
Non-executive directors
NM Anderson, JR Macey, L Letlape, K Vundla

Designated adviser
Merchantec Capital

Company secretary
S. van Schalkwyk

Registered office
The registered office is 3 Sandown Valley Cresent, Sandown,2196

Transfer secretaries
Link Market Services South Africa (Proprietary) Limited
11 Diagonal Street, Johannesburg, 2001