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

Abridged audited condensed consolidated financial results for the year ended 31 December 2012 and notice of annual general meeting

HIGHLIGHTS
Revenue increase of 11%
EBITDA increase of 5,8%

Group statement of comprehensive income for the year ended 31 December 2012

	Notes	2012 R'000	2011 R'000
Revenue		1 498 435	1 348 561
Cost of sales		(1 173 636)	(1 039 586)
Gross profit		324 799	308 975
Operating costs		(281 418)	(267 974)
Earnings before impairment, depreciation, amortisation, interest and taxation ("EBITDA")		43 381	41 001
Depreciation and amortisation of non-financial assets		(8 939)	(7 694)
Operating profit		34 442	33 307
Finance income		2 670	3 434
Finance costs		(12 463)	(10 896)
Profit before taxation		24 649	25 845
Taxation	9	(1 105)	(1 916)
Profit for the year		23 544	23 929
Other comprehensive income for the year, net of tax:			
Fair value (loss)/gain on available-for-sale financial assets		(462)	139
Total comprehensive income for the year		23 082	24 068
Profit for the year attributable to:			
Owners of the parent		23 185	23 445
Non-controlling interests		359	484
		23 544	23 929
Total comprehensive income attributable to:			
Owners of the parent		22 723	23 584
Non-controlling interests		359	484
		23 082	24 068
Earnings per share (cents per share)			
Basic and fully diluted	10	10,3	10,4

Group statement of financial position at 31 December 2012

	Notes	2012 R'000	2011 R'000
Assets			
Non-current assets		81 534	76 925
Property, plant and equipment	5	7 657	9 187
Goodwill	6	41 280	41 280
Intangible assets	7	17 224	13 165
Deferred tax assets		13 757	11 215
Other financial assets		1 616	2 078
Current assets		438 959	371 317
Trade and other receivables		415 712	351 136
Inventories		3 198	3 343
Taxation		1 523	861
Cash and cash equivalents		18 526	15 977
Total assets		520 493	448 242
Equity and liabilities			
Equity		220 352	197 487
Equity attributable to owners of the parent		220 101	197 378
Share capital and premium		236 867	236 867
Treasury shares		(7 616)	(7 616)
Reverse acquisition reserve		(125 499)	(125 499)
Available-for-sale reserve		(231)	231
Retained earnings		116 580	93 395
Non-controlling interests		251	109
Non-current liabilities		14 282	13 091
Financial liabilities		9 124	9 153
Deferred tax liabilities		5 158	3 938
Current liabilities		285 859	237 664
Trade and other payables		72 935	62 521
Financial liabilities		207 893	175 139
Taxation		565	-
Bank overdraft		4 466	4
Total equity and liabilities		520 493	448 242
Group net asset value per share (cents per share)		98	87

Group statement of changes in equity for the year ended 31 December 2012

	Attributable to owners of the parent			
	Share capital and premium R'000	Reverse acquisition reserve R'000	Treasury shares R'000	Available-for-sale reserve R'000
Balance at 1 January 2011	236 867	(125 499)	(7 616)	92
Payment of dividends	-	-	-	-
Total comprehensive income for the year	-	-	-	139
Balance at 1 January 2012	236 867	(125 499)	(7 616)	231
Payment of dividends	-	-	-	-
Total comprehensive income for the year	-	-	-	(462)
Balance at 31 December 2012	236 867	(125 499)	(7 616)	(231)
Notes	9		9	*

* Fair value gains on available-for-sale financial assets.

	Retained earnings R'000	Total R'000	Non-controlling interests R'000	Total equity R'000
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 1 January 2012	93 395	197 378	109	197 487
Payment of dividends	-	–	(217)	(217)
Total comprehensive income for the year	23 185	22 723	359	23 082
Balance at 31 December 2012	116 580	220 101	251	220 352

Group statement of cash flows for the year ended 31 December 2012

	2012 R'000	2011 R'000
Cash generated from operations before net working capital changes	31 214	30 428
Cash generated from operations	43 555	40 932
Finance income	2 646	3 271
Finance costs	(12 463)	(10 896)
Taxation paid	(2 524)	(2 879)
Increase in net working capital	(54 017)	(65 751)
Cash flows from operating activities	(22 803)	(35 323)
Cash flows from investing activities	(11 224)	(10 349)
Acquisition adjustment to purchase price of subsidiary previously acquired	-	(75)
Dividends received	24	163
Property, plant and equipment acquired - maintaining operations	(2 714)	(4 245)
- expanding operations	(321)	(151)
Proceeds on disposal of property, plant and equipment	381	593
Intangible assets acquired	(8 594)	(6 634)
Cash flows from financing activities	32 114	14 200
Proceeds from borrowings	32 331	14 585
Dividends paid to shareholder in subsidiary	(217)	(385)
Net change in cash and cash equivalents	(1 913)	(31 472)
Cash and cash equivalents at the beginning of the year	15 973	47 445
Cash and cash equivalents at the end of the year	14 060	15 973

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2012

1. Nature of business

Workforce Holdings Limited is an investment holding company. Its subsidiaries carry on the business of staff and recruitment, training and consulting, financial and lifestyle products, employee health management and process outsourcing.

2. Basis of preparation

The condensed group financial statements for the year ended 31 December 2012, have been prepared in accordance with the framework concepts and the measurement and recognition of International Financial Reporting Standards, the Listing Requirements of the JSE Limited ("JSE"), International Accounting Standard (IAS) 34, Interim Financial Reporting and the South African Companies Act. No 71 of 2008, as well as 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 condensed group financial statements for the year ended 31 December 2012 were compiled under the supervision of WP Van Wyk CA (SA), The group financial director. The accounting policies have been consistent with those of the most recent financial statements.

During the period under review, the group adopted all the IFRS and interpretations being effective and deemed applicable to the group. None of these standards and interpretations had a material impact on the results.

3. Events after reporting date

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

4. Auditor's report

The external independent auditor, Horwath Leveton Boner, have issued their opinion on the group financial statements for the year ended 31 December 2012. The audit was conducted in accordance with International Standards of Auditing. The auditor has issued an unqualified audit opinion. A copy of the audit report is available for inspection at the company's registered offices. These condensed financial statements have been derived from the group financial statements and are consistent, in all material respects, with the group financial statements.

5. Additions and disposals of property, plant and equipment

	Motor vehicles R'000	Computer equipment R'000	Industrial equipment R'000	Office equipment R'000
Carrying value 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 value at 31 December 2011	1 861	2 926	182	1 810
Additions	583	1 189	10	967
Disposals	(535)	(18)	-	(2)
Depreciation	(808)	(1 733)	(59)	(657)
Carrying value at 31 December 2012	1 101	2 364	133	2 118

	Leasehold improve-ments R'000	Training manuals R'000	Total R'000
Carrying value at 1 January 2011	202	2 416	9 899
Additions	258	562	4 396
Disposals	-	(1)	(523)
Reclassifications	-	-	-
Depreciation	(80)	(949)	(4 585)
Carrying value at 31 December 2011	380	2 028	9 187
Additions	89	591	3 429
Disposals	-	-	(555)
Depreciation	(92)	(1 055)	(4 404)
Carrying value at 31 December 2012	377	1 564	7 657

	2012 R'000	2011 R'000
6. Goodwill		
Carrying value at the beginning of the year	41 280	41 205
Adjustment of purchase price	-	75
Carrying value at the end of the year	41 280	41 280

7. Intangible assets

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

	Computer software R'000
Carrying value at 1 January 2011	9 640
Additions	6 634
Amortisation	(3 109)
Carrying value at 31 December 2011	13 165
Additions	8 594
Amortisation	(4 535)
Carrying value at 31 December 2012	17 224

8. Segment reporting

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

- Staffing and Recruitment comprises staff outsourcing 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 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; and
- Process Outsourcing, which focuses on delivering productive and functional business process outsourcing solutions, including the statutory and legal elements associated therewith.

These operating segments, as further described in the accounting policies in the annual report, are monitored and strategic decisions are made on the basis of adjusted segment operating results. The format in which segmental information is presented to the chief operating decision-maker was changed, hence the format of the prior period numbers was changed. Furthermore income and expenses not previously allocated have now been allocated across segments.

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

	Staffing and Recruit-ment R'000	Training and Consulting R'000	Financial and Lifestyle Products R'000	Employee Health Manage-ment R'000
2012				
Segment revenues	1 360 103	39 613	50 088	23 513
Cost of sales	(1 102 190)	(10 405)	(17 761)	(9 580)
Operating costs	(184 580)	(33 186)	(18 015)	(12 449)
EBITDA	73 333	(3 978)	14 312	1 484
Depreciation and amortisation of non-financial assets	(2 247)	(1 286)	(1 866)	(177)
Segment operating profit	71 086	(5 264)	12 446	1 307
Capital expenditure	3 513	936	3 284	325
Segment total assets	288 171	4 982	97 403	5 901
Segment total liabilities	(40 352)	(3 009)	(17 906)	(1 403)
Net segment assets	247 819	1 973	79 497	4 498

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

	Process Outsourcing R'000	Central cost R'000	Consolidation entries R'000	Total R'000
2012				
Segment revenues	47 109	-	(21 991)	1 498 435
Cost of sales	(33 700)	-	-	(1 173 636)
Operating costs	(13 165)	(42 014)	21 991	(281 418)
EBITDA	244	(42 014)	-	43 381
Depreciation and amortisation of non-financial assets	(272)	(3 091)	-	(8 939)
Segment operating profit	(28)	(45 105)	-	34 442
Capital expenditure	306	3 659	-	12 023
Segment total assets	1 037	122 999	-	520 493
Segment total liabilities	(598)	(236 873)	-	(300 141)
Net segment assets	439	(113 874)	-	220 352

	Staffing and Recruitment	Training and Consulting	Financial and Lifestyle Products	Employee Health Management
2011				
Segment revenues	1 221 993	29 264	45 386	21 285
Cost of sales	(986 792)	(5 479)	(12 264)	(8 318)
Operating costs	(177 916)	(21 458)	(14 542)	(11 054)
EBITDA	57 285	2 327	18 580	1 913
Depreciation and amortisation of non-financial assets	(2 630)	(1 236)	(1 334)	(123)
Segment operating profit	54 655	1 091	17 246	1 790
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 Outsourcing	Central cost	Consolidation entries	Total
2011				
Segment revenues	41 010	-	(10 377)	1 348 561
Cost of sales	(26 733)	-	-	(1 039 586)
Operating costs	(12 761)	(40 620)	10 377	(267 974)
EBITDA	1 516	(40 620)	-	41 001
Depreciation and amortisation of non-financial assets	(275)	(2 096)	-	(7 694)
Segment operating profit	1 241	(42 716)	-	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

No segmental information is provided in respect of geographical analysis as the group operates primarily in South Africa.

	2012 %	2011 %
9. Taxation		
The tax rate for the year can be reconciled as follows:		
Standard corporate tax rate	28,00	28,00
Adjusted for:		
Non-deductible expenses	0,20	0,13
Tax allowances	(22,44)	(23,37)
Prior year tax losses now recognised	(1,31)	-
Prior year tax adjustments	-	0,36
STC	-	0,29
Unused tax losses	0,03	2,00
Effective tax rate	4,48	7,41

10. 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:

	2012	2011
Profit attributable to equity shareholders of the parent company (R'000)	23 185	23 445
Weighted average number of ordinary shares in issue ('000)	225 630	225 630
Basic earnings per share (cents)	10,3	10,4

Diluted earnings per share

There are no potential dilutive shares 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:

	2012	2011
Profit attributable to equity shareholders of the parent company (R'000)	23 185	23 445
Headline earnings adjustment (R'000)	125	(50)
(Loss)/gain on disposal of property, plant and equipment	174	(69)
Tax effects of adjustments	(49)	19
Total headline earnings (R'000)	23 310	23 395
Weighted average number of shares in issue ('000)	225 630	225 630
Headline earnings per share (cents)	10,3	10,4

11. Dividends

No dividends were declared relating to the period under review (2011: Nil).

12. Business combinations

No business combinations occurred during the period under review.

13. Related party transactions

The group, in the ordinary course of business, entered into various sale and purchase transactions with related parties.

13.1 Transactions with related parties

During the year the group entities entered into the following trading transactions with related parties that are not members of the group:

		2012 R'000	2011 R'000
11 Wellington Street Investments Proprietary Limited		4 392	4 063
Relationship:	Director has significant influence		
Type of transaction:	Operating lease rentals paid		
Vunani Capital Proprietary Limited		121	121
Relationship:	Shareholder		
Type of transaction:	Designated advisers' fees		
Hunts Attorneys		3 031	2 391
Relationship:	Director with an interest in a legal practice - R S Katz		
Type of transaction:	Disbursements for advocates' fees paid		

14. Contingent liabilities

Third party claims

Various legal claims were brought against the group during the year. Unless recognised as a liability, the directors consider these claims to be unjustified and the probability that they will require settlement at the group's expense to be remote, since the claims are not in accordance with either the contracts with the customers or normal business practices in the industry. This evaluation is consistent with external independent legal advice.

Potential claims by third parties amount to R2 696 556 (2011: R1 739 248). The directors believe, based on past history, that the likelihood of such claims being successful are minimal.

15. Directors' Commentary

The year ended December 2012 was a challenging year for Workforce and the human resources services sector as a whole. The macro environment proved very challenging with protracted violent labour unrest which, at points, threatened the core of the current labour relations and social systems.

Our industry is in a process of adapting to expected changes emanating from various proposed amendments to labour legislation. It has been, and continues to be our view that the amendments will result in the further entrenchment of the staff outsourcing value proposition - fostering greater flexibility and security within the three-dimensional employment relationships. We continue to embrace these changes in the most innovative way so as to ensure that we are able to continue providing our clients with all the benefits associated with the utilisation of flexible staffing.

As reported on in our 2011 report, the restructuring of our business into five focus areas comprising staffing and recruitment, financial and lifestyle products, training and consulting, process outsourcing and employee health management, has yielded varying levels of success; and 2012 has provided us with numerous lessons learned which we will build on and look to capitalise on during 2013.

Operational and financial review

The year under review produced average results with some segments performing better than expectation, while others performed below management expectation. Group revenue of R1,5 billion (FY2011: R1,35) was 11% ahead of the prior year while earnings per share of 10,3 cents (FY2011: 10,4 cents) was 1% down on last year.

Operating costs increased by 5%. The results saw an increase in EBITDA to R43,4 million (FY2011: R41 million) representing an increase of 5,9%.

Working capital management and debtors remained a management focus area - average Debtors Days Outstanding decreased to 56 days from 58 days in 2011. The group's debt to equity ratio of 0,91 was slightly higher than the previous year of 0,85, which management believe is acceptable at current levels of trading.

Staffing and recruitment

The staffing and recruitment segment of the group showed strong growth. Revenue increased by 11,5% to R1,36 billion. This was matched by a 28% increase in EBITDA to R73,4 million. This was achieved as a result of tight management of operating costs which increased marginally by 3,7%.

The staff outsourcing segment of the business showed strong market share growth specifically within the industrial blue collar segments. Investment in business development skills over the past three years is fuelling this growth. The group's objective of protecting and growing market share within its core segments will continue to receive primary focus.

Workforce Staffing added an additional three branches during the year, bringing our national footprint to 49 branches. Further development has also taken place in Lesotho and Mozambique - with established infrastructure across these territories. Plans are currently in place to establish a presence in Zimbabwe.

Skills shortages within the white collar segment of industry remained a challenge and our niche businesses within this segment were able to capitalise on these opportunities. Telebest group performed above expectation and contributed a material increase in EBITDA of R7,8 million, (FY2011: R2,3 million). Albrecht Nursing Agency extended its reach through the establishment of branches in the Gauteng and Kwazulu-Natal regions.

Training and consulting

Training and skills development is a national priority in our country and the group's training subsidiary is well positioned to respond to market demands. Training Force has undergone a major restructure which has included a reorganisation of executive management, further decentralisation of operating units and operational cost reductions. These changes, we believe, will result in a more sustainable business model delivering greater profitability and greater focus on the client's value proposition. The challenges experienced during 2012 resulted in negative EBITDA of R4,0 million.

Financial and lifestyle products

The group's wholly owned subsidiary, Babereki Employee Support Services and its trading division Dreams Direct, provides a range of lifestyle products and services to employees. Babereki has become an important contributor to the group's earnings. The business is extremely reliant on system integration and development and 2012 saw the roll out of our third generation systems enabling more efficient control of credit granting and collection processes. The business reported a decrease in EBITDA of 23% to R14,3 million. This was primarily as a result of increased operational overheads specifically in the area of risk management and collections. Added to this, additional resources have been employed to bolster the current system development team's capability.

Employee health management
Workforce Healthcare is making slow progress in developing and growing its market share. Organisations are becoming more sensitised to the importance of workplace wellness and the impact that early identification and management of risk has on increasing productivity, reducing absenteeism and positively influencing the wellbeing of their employees when managed correctly. Wellness and assistance programmes are currently provided to approximately 26 500 employees nationally. In addition to this, the division also provides employers with a comprehensive range of occupational and primary health management services, with some 53 500 medicals conducted during 2012 through its network of 42 on-site clinics. Revenue increased by 10,5% to R23,5 million. This benefit associated with this increase was absorbed by an increase in operating expenditure of 12,6% which resulted in a marginal decrease in EBITDA to R1,5 million for year ended 2012. Management believe that with continued focus, progress in gaining market share will be achieved in the forthcoming year.

Process outsourcing
The group's process outsourcing segment, managed to increase revenue by 14,9% to R47,1 million. However gross margins fell by 6,3% as a result of increased competition, specifically in the Programmed Construction business. EBITDA decreased by R1,2 million resulting in a close to break-even result for the year. Management are currently reviewing the operations of the respective businesses in this segment and a refocused strategy will be implemented during 2013, which will see this segment return to profitability.

Sustainability
We are committed to effective risk management and recognise the importance of this to our sustainability. Material issues and risks get identified through a rigorous process of interaction with a broad range of stakeholders across our organisation. This strategy is driven from the bottom to top and vice-versa which gives us a deep understanding of various risks across our business.

Strategy
The group's integrated value proposition involves aligning and integrating our diverse yet interdependent businesses to create a seamless solution for our clients. Our competitive advantage is our ability to execute on this value proposition utilising our technology and systems. We enable this through a decentralised business model - which we believe gives us greater exposure to our various markets. This model has been deployed across all of our businesses with varying degrees of success. Key imperatives which make this model sustainable include: developing an innovative and entrepreneurial culture across the organisation; maintaining deep areas of knowledge and specialisation of and within markets; being able to offer diversified yet integrated products and services; and, developing depth in both general and operational management. These key imperatives will form the basis of delivering on our strategic objectives.

Liquidity
The group will continue to focus on its liquidity management and through various initiatives will look to enhance processes and systems that are already in place. Liquidity as measured by the current ratio is 1,54 - management believe however that this needs to improve in order to enable the group to take advantage of market opportunities as they present themselves. The group's net financing charge increased to R9,8 million from R7,4 million the previous year. This is predominantly as a result of increased turnover and investment in debtors. In addition to this, Babereki secured its own ring-fenced funding structure which has added to the cost.

Technology
Technology is at the forefront of enabling us to provide our clients with value over and above our competitors. Our ongoing investment in employer-centric technology is driven through our internal development teams who typically have a deep understanding of the various businesses and their respective requirements. Various new developments have been piloted for full roll out during 2013. This includes our proprietary system, Worktrac Zone which among others, enables clients to optimise work processes and staffing requirements across multiple sites and categories of staff.

Regulation
Indications are that government will continue to press on with its law reforms this year with the clear intention to finalise the amendment processes by the end of the year; this specifically includes the amendments to the Basic Conditions of Employment Act, Labour Relations Act, Employment Equity Act and the new Employment Services Bill. Whilst the introduction of these laws will place its own demand on the group's internal requirements, the reality is that the group is awaiting the introduction of these amendments with certain eagerness. The nature of the amendments is such that it will create a need for the services of the group which will give the group further development opportunities.

Workforce has over the last year continued with its programme to develop forward thinking systems, improve skills development and find cost effective ways to increase production. Its current development has placed Workforce in the lead when it comes to the ability to assist its clients to successfully adapt to the changes that businesses will be required to meet over the coming year.

Outlook
The group is confident that its current strategy will result in the achievement of its stated objectives. Continued investment in people and systems has proven to be the primary driver of success in its core business. This will continue and will be augmented by additional investment. Legislative challenges are being addressed both strategically and operationally and the group is well prepared for these changes. We look forward to a challenging yet rewarding 2013.

Directorate
There have been no changes to the board during the period under review.

Annual General Meeting
The company's annual general meeting will be held at 11 Wellington Road, Parktown, Johannesburg on Thursday, 10 May 2013 at 10:00.

The financial statements for the year ended 31 December 2012, incorporating a notice of annual general meeting, will be mailed to all shareholders on or about 28 March 2013.

For and on behalf of the board

RS Katz
(Executive chairman)

LH Diamond
(Chief executive officer)

WP van Wyk
(Group financial director)

Johannesburg
27 March 2013

Executive directors
RS Katz, LH Diamond, WP van Wyk

Non-executive directors
NM Anderson, JR Macey*, L Letlape*, K Vundla*
* Independent.

Designated Adviser
Merchantec Capital

Company secretary
Sirkien Van Schalkwyk

Registered office
The registered office, which is also its principal place of business, is 11 Wellington Road, Parktown, 2193

Transfer secretaries
Link Market Services South Africa Proprietary Limited

Auditors
Horwath Leveton Boner