workforce
HOLDINGS LIMITED

Uplifting people.
Growing business.

Unaudited condensed interim financial results

for the six months ended 30 June 2017

Highlights

- Revenue increased by **14.5%** to **R1,4 billion**
- EBITDA increased by **4.7%** to **R69 million**
- Net asset value per share increased by **22.9%** to **R2,15**
- Tangible net asset value per share increased by **19.6%** to **R1,32**
- Cash flows from operating activities improved to **R45 million** (June 2016: R10 million)
- Headline earnings per share ("HEPS") increased by **5.1%** to **18,6 cents**
- Diluted earnings per share increased by **6.4%** to **18,3 cents**

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

Condensed consolidated statement of comprehensive income

for the six months ended 30 June 2017

	Notes	**Six months to 30 June 2017 R'000**	Six months to 30 June 2016 R'000	Increase/ (decrease) %	Year to 31 December 2016 R'000
Revenue		**1 366 109**	1 192 824	14.5	2 523 405
Cost of sales		**(1 053 104)**	(904 024)	16.5	(1 924 425)
Gross profit		**313 005**	288 800	8.4	598 980
Other income		**–**	–		720
Operating costs		**(243 945)**	(222 865)	9.5	(461 810)
Earnings before interest, taxation, depreciation and amortisation ("EBITDA")		**69 060**	65 935	4.7	137 890
Depreciation and amortisation of non-financial assets		**(12 969)**	(8 008)	62.0	(17 476)
Operating profit		**56 091**	57 927	(3.2)	120 414
Finance income		**606**	308	96.8	711
Finance costs		**(13 602)**	(13 789)	(1.4)	(29 957)
Profit before taxation		**43 095**	44 446	(3.0)	91 168
Taxation (expense)/credit	9	**(1 574)**	(3 811)	(58.7)	735
Profit for the period		**41 521**	40 635	2.2	91 903
Other comprehensive income/(loss) for the period		**375**	(46)		(224)
Fair value gains/(losses) on available-for-sale financial assets		**375**	(46)		(224)
Total comprehensive income for the period		**41 896**	40 589		91 679
Income for the period attributable to:					
Owners of the parent		**42 461**	40 671		91 604
Non-controlling interests		**(940)**	(36)		299
		41 521	40 635		91 903
Total comprehensive income attributable to:					
Owners of the parent		**42 836**	40 625		91 380
Non-controlling interests		**(940)**	(36)		299
		41 896	40 589		91 679
Earnings per share (cents)	10				
Basic		**18,7**	18,0		40,1
Diluted		**18,3**	17,2		38,1

Condensed consolidated statement of financial position

at 30 June 2017

	Notes	As at 30 June 2017 R'000	As at 30 June 2016 R'000	As at 31 December 2016 R'000
Assets				
Non-current assets		**247 732**	198 156	199 060
Property, plant and equipment	5	**19 784**	17 318	18 015
Goodwill	6	**141 166**	102 287	102 287
Intangible assets	7	**48 188**	40 953	39 130
Deferred tax assets		**35 510**	34 711	36 919
Other financial assets		**3 084**	2 887	2 709
Current assets		**679 753**	671 126	688 090
Trade and other receivables		**651 676**	638 609	610 219
Inventories		**3 294**	4 264	2 742
Cash and cash equivalents		**24 783**	28 253	75 129
Total assets		**927 485**	869 282	887 150
Equity and liabilities				
Equity		**489 104**	395 498	446 768
Share capital and premium		**241 867**	241 867	241 867
Treasury shares		**(12 454)**	(8 748)	(9 330)
Reverse acquisition reserve		**–**	(125 499)	–
Available-for-sale reserve		**837**	640	462
Equity-settled employee benefits reserve		**5 901**	1 158	2 337
Retained earnings		**253 616**	285 721	211 155
Equity attributable to owners of the parent		**489 767**	395 139	446 491
Non-controlling interests		**(663)**	359	277
Non-current liabilities		**54 434**	77 197	40 349
Financial liabilities		**40 278**	66 581	30 840
Deferred tax liabilities		**14 156**	10 616	9 509
Current liabilities		**383 947**	396 587	400 033
Trade and other payables		**145 006**	142 630	115 231
Financial liabilities		**238 224**	251 379	283 857
Taxation		**717**	2 578	945
Total equity and liabilities		**927 485**	869 282	887 150

Condensed consolidated statement of changes in equity

	Share capital and premium R'000
For the six months ended 30 June 2017	
Balance at 1 January 2017	**241 867**
Recognition of share-based payments	–
Buy-back of shares	–
Total comprehensive income for the period	–
Balance at 30 June 2017	**241 867**
For the six months ended 30 June 2016	
Balance at 1 January 2016	241 867
Recognition of share-based payments	–
Issue of ordinary shares under employee share option plan	–
Additional non-controlling interest arising on business combination	–
Total comprehensive income for the period	–
Balance at 30 June 2016	241 867
For the year ended 31 December 2016	
Balance at 1 January 2016	241 867
Payment of dividends	–
Recognition of share-based payments	–
Buy-back of shares	–
Issue of ordinary shares under employee share option plan	–
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

Attributable to owners of the parent							
Treasury shares R'000	**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 interest R'000**	**Total R'000**
(9 330)	**462**	**2 337**	**–**	**211 155**	**446 491**	**277**	**446 768**
–	**–**	**3 564**	**–**	**–**	**3 564**	**–**	**3 564**
(3 124)	**–**	**–**	**–**	**–**	**(3 124)**	**–**	**(3 124)**
–	**375**	**–**	**–**	**42 461**	**42 836**	**(940)**	**41 896**
(12 454)	**837**	**5 901**	**–**	**253 616**	**489 767**	**(663)**	**489 104**
(9 488)	686	1 659	(125 499)	245 050	354 275	(28)	354 247
–	–	357	–	–	357	–	357
740	–	(858)	–	–	(118)	–	(118)
–	–	–	–	–	–	423	423
–	(46)	–	–	40 671	40 625	(36)	40 589
(8 748)	640	1 158	(125 499)	285 721	395 139	359	395 498
(9 488)	686	1 659	(125 499)	245 050	354 275	(28)	354 247
–	–	–	–	–	–	(417)	(417)
–	–	1 536	–	–	1 536	–	1 536
(1 714)	–	–	–	–	(1 714)	–	(1 714)
1 872	–	(858)	–	–	1 014	–	1 014
–	–	–	–	–	–	423	423
–	–	–	125 499	(125 499)	–	–	–
	(224)	–	–	91 604	91 380	299	91 679
(9 330)	462	2 337	–	211 155	446 491	277	446 768

Condensed consolidated statement of cash flows

for the six months ended 30 June 2017

	Notes	Six months to 30 June 2017 R'000	Six months to 30 June 2016 R'000	Year to 31 December 2016 R'000
Cash generated from operations before net working capital changes		**55 735**	53 959	109 763
Cash generated from operations	14.1	**66 340**	66 768	136 989
Finance income		**606**	308	711
Finance costs		**(11 163)**	(12 076)	(26 493)
Taxation paid		**(48)**	(1 041)	(1 444)
Increase in net working capital	14.2	**(10 405)**	(43 889)	(40 551)
Cash flows from operating activities		**45 330**	10 070	69 212
Cash flows from investing activities		**(46 461)**	(33 587)	(55 992)
Property, plant and equipment acquired – maintaining operations	5	**(3 508)**	(3 050)	(7 170)
Proceeds on disposal of property, plant and equipment		**565**	210	791
Dividend income		**–**	–	720
Intangible assets acquired – maintaining operations	7	**(2 989)**	(3 815)	(8 452)
Net cash flow on acquisition of business combinations	14.3	**(40 529)**	(26 932)	(41 881)
Cash flows from financing activities		**(49 215)**	38 706	48 845
(Repayment)/increase of borrowings		**(46 091)**	40 420	51 834
Payment for buy-back of shares		**(3 124)**	(1 714)	(1 714)
Cash-settled share-based payments		–	–	(858)
Dividends paid		**–**	–	(417)
Net change in cash and cash equivalents		**(50 346)**	15 189	62 065
Cash and cash equivalents at beginning of period		**75 129**	13 064	13 064
Cash and cash equivalents at end of period		**24 783**	28 253	75 129

Notes to the unaudited condensed consolidated interim financial statements

for the six months ended 30 June 2017

1. Nature of operations and general information

Workforce Holdings Limited is a holding company whose subsidiaries specialise in outsourcing, recruitment and specialist staffing, training and consulting, employee health management, process outsourcing, financial services and lifestyle products.

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

The unaudited condensed interim financial statements were approved for issue by the board of directors of Workforce ("the board") on 23 August 2017.

2. Basis of preparation and significant accounting policies

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the Listings Requirements of JSE Limited ("JSE") for interim financial statements, International Accounting Standard ("IAS") 34, *Interim Financial Reporting* and the South African Companies Act, 2008 (Act 71 of 2008), as amended, the SAICA Financial Reporting Guides, as issued by the Accounting Practice Committee, as well as the SAICA Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.

The unaudited condensed interim financial statements for the six months ended 30 June 2017 were compiled under the supervision of W van Wyk, CA(SA), the group financial director. The unaudited condensed consolidated interim financial statements have been prepared using the measurement basis specified by International Financial Reporting Standards ("IFRS") for each type of asset, liability, income and expense and have been applied consistently with the accounting policies in the annual financial statements for the year ended 31 December 2016.

3. Events after reporting date

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

4. Auditor's responsibility

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

5. Property, plant and equipment

	Motor vehicles R'000
Six months to 30 June 2017	
Carrying amount at 1 January 2017	**3 693**
Additions	**–**
Disposals	**(281)**
Acquired through business combination	**417**
Depreciation	**(853)**
Carrying amount at 30 June 2017	**2 976**
Six months to 30 June 2016	
Carrying amount at 1 January 2016	3 393
Additions	4
Disposals	(236)
Acquired through business combination	1 311
Depreciation	(461)
Carrying amount at 30 June 2016	4 011
Carrying amount at 1 January 2016	3 393
Additions	984
Disposals	(637)
Acquired through business combination	1 259
Depreciation	(1 306)
Carrying amount at 31 December 2016	3 693

Computer equipment R'000	Industrial equipment R'000	Office equipment R'000	Leasehold improvements R'000	Training manuals R'000	Land and buildings R'000	Total R'000
4 140	**1 872**	**2 827**	**130**	**2 653**	**2 700**	**18 015**
1 793	**568**	**670**	**220**	**257**	**–**	**3 508**
–	**–**	**–**	**–**	**–**	**–**	**(281)**
719	**686**	**985**	**–**	**–**	**–**	**2 807**
(1 584)	**(607)**	**(729)**	**(28)**	**(464)**	**–**	**(4 265)**
5 068	**2 519**	**3 753**	**322**	**2 446**	**2 700**	**19 784**
2 524	2 026	1 361	183	2 989	2 700	15 176
1 525	373	1 116	7	25	–	3 050
(66)	–	–	–	–	–	(302)
28	52	58	–	–	–	1 449
(862)	(314)	(341)	(47)	(30)	–	(2 055)
3 149	2 137	2 194	143	2 984	2 700	17 318
2 524	2 026	1 361	183	2 989	2 700	15 176
3 345	445	2 193	25	178	–	7 170
(23)	(16)	–	–	–	–	(676)
43	53	62	–	–	–	1 417
(1 749)	(636)	(789)	(78)	(514)	–	(5 072)
4 140	1 872	2 827	130	2 653	2 700	18 015

6. Goodwill

	Total R'000
Six months to 30 June 2017	
Carrying amount at 1 January 2017	**102 287**
Acquired through business combination	**38 879**
Carrying amount at 30 June 2017	**141 166**
Six months to 30 June 2016	
Carrying amount at 1 January 2016	**62 501**
Acquired through business combination	**39 786**
Carrying amount at 30 June 2016	**102 287**
Year to 31 December 2016	
Carrying amount at 1 January 2016	**62 501**
Acquired through business combination	**39 786**
Carrying amount at 31 December 2016	**102 287**

7. Intangible assets

	Computer software R'000	Brands R'000	Client relationships R'000	Work in progress R'000	Total R'000
Six months to 30 June 2017					
Carrying amount at 1 January 2017	**15 755**	**756**	**14 067**	**8 552**	**39 130**
Additions	**965**	**–**	**–**	**2 024**	**2 989**
Acquired through business combination	**2 761**	**–**	**12 012**	**–**	**14 773**
Amortisation	**(3 639)**	**(501)**	**(4 564)**	**–**	**(8 704)**
Carrying amount at 30 June 2017	**15 842**	**255**	**21 515**	**10 576**	**48 188**
Six months to 30 June 2016					
Carrying amount at 1 January 2016	16 555	1 800	9 078	5 478	32 911
Additions	1 385	–	–	2 430	3 815
Acquired through business combination	–	–	10 180	–	10 180
Amortisation	(3 257)	(535)	(2 161)	–	(5 953)
Carrying amount at 30 June 2016	14 683	1 265	17 097	7 908	40 953

	Computer software R'000	Brands R'000	Client relationships R'000	Work in progress R'000	Total R'000

7. Intangible assets *(continued)*

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

8. Segment analysis

During the reporting period, the group consolidated its five previous reporting segments into three segments, namely:

- **Staffing and outsourcing** – comprises industrial staff outsourcing, recruitment and specialist staffing, ad-response handling, executive search, call centre staffing and the delivery of productive and functional business process outsourcing solutions;
- **Training and healthcare** – includes registered and accredited industry and job-specific skills training interventions, induction training, safety, health and environmental training, contractor onboarding, and management services to businesses and their employees across all industry sectors. Healthcare comprises of comprehensive employee health management services that include occupational and primary healthcare, employee wellness and employee assistance programmes;
- **Financial and lifestyle** – spans an extensive range of employee support services that include lifestyle products, as well as financial and insurance products for employees and their families.

These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

These new segments better represent the current core trading of the group and allows for simpler understanding and communication of the performance of the business.

8. Segment analysis *(continued)*

Revenues, profit, assets and liabilities generated for each of the group's business segments are summarised as follows:

	Staffing and out-sourcing R'000	Training and health-care R'000	Financial and lifestyle R'000	Central cost R'000	Consoli-dation entries R'000	Total R'000
Six months to June 2017						
Segment revenues	**1 229 474**	**104 924**	**40 277**	**–**	**(8 566)**	**1 366 109**
Cost of sales	**(1 005 396)**	**(41 954)**	**(13 453)**	**(867)**	**(8 566)**	**(1 053 104)**
Operating costs	**(132 236)**	**(47 877)**	**(22 052)**	**(41 780)**	**–**	**(243 945)**
EBITDA	**91 842**	**15 093**	**4 772**	**(42 647)**	**–**	**69 060**
Depreciation and amortisation of non-financial assets	**(1 817)**	**(2 308)**	**(968)**	**(3 010)**	**(4 866)**	**(12 969)**
Segment operating profit	**90 025**	**12 785**	**3 804**	**(45 518)**	**(5 005)**	**56 091**
Capital expenditure	**1 892**	**19 156**	**304**	**2 725**	**–**	**24 077**
Segment total assets	**447 787**	**87 949**	**211 171**	**180 578**	**–**	**927 485**
Segment total liabilities	**(77 127)**	**(64 689)**	**(222 807)**	**(73 758)**	**–**	**(438 381)**
Net segment assets/(liabilities)	**370 660**	**23 260**	**(11 636)**	**106 820**	**–**	**489 104**
Six months to June 2016						
Segment revenues	1 081 795	67 686	43 343	–	–	1 192 824
Inter-segment revenues	–	6 026	–	–	(6 026)	–
Cost of sales	(863 406)	(25 003)	(15 615)	–	–	(904 024)
Operating costs	(130 085)	(35 465)	(22 671)	(40 670)	6 026	(222 865)
EBITDA	88 304	13 244	5 057	(40 670)	–	65 935
Depreciation and amortisation of non-financial assets	(1 658)	(893)	(1 174)	(2 280)	(2 003)	(8 008)
Segment operating profit	86 646	12 351	3 883	(42 950)	(2 003)	57 927
Capital expenditure	12 267	2 025	1 684	2 518	–	18 494
Segment total assets	425 415	84 828	189 105	169 934	–	869 282
Segment total liabilities	(72 198)	(55 726)	(188 901)	(156 959)	–	(473 784)
Net segment assets	353 217	29 102	204	12 975	–	395 498

	Staffing and out-sourcing R'000	Training and health-care R'000	Financial and lifestyle R'000	Central cost R'000	Consoli-dation entries R'000	Total R'000

8. Segment analysis *(continued)*

Year to 31 December 2016						
Segment revenues	2 302 024	127 891	93 490	–	–	2 523 405
Inter-segment revenues	14 348	16 361	4 026	–	(34 735)	–
Cost of sales	(1 832 559)	(57 490)	(30 927)	(3 449)	–	(1 924 425)
Inter-segment cost of sales	(13 976)	–	(4 026)	–	18 002	–
Operating costs	(293 890)	(58 588)	(48 706)	(77 357)	16 733	(461 810)
Other income	–	–	720	–	–	720
EBITDA	175 947	28 174	14 575	(80 806)	–	137 890
Depreciation and amortisation of non-financial assets	(3 799)	(1 735)	(2 177)	(4 874)	(4 891)	(17 476)
Segment operating profit	172 148	26 439	12 398	(85 680)	(4 891)	120 414
Capital expenditure	21 613	2 208	3 397	–	–	27 218
Segment total assets	408 122	82 284	221 954	174 790	–	887 150
Segment total liabilities	(58 754)	(67 164)	(237 202)	(77 262)	–	(440 382)
Net segment assets/(liabilities)	349 368	15 120	(15 248)	97 528	–	446 768

9. Taxation

The effective tax rate of 3.7% (2016: 8.6%) for the period was based on the anticipated weighted average tax rate for the full financial year. The low tax rate is due to learnership allowances as well as employment tax incentive income.

	Six months to 30 June 2017	Six months to 30 June 2016	Year to 31 December 2016
10. Earnings per share			
Basic earnings per share			
Profit attributable to equity shareholders of the parent company (R'000)	**42 461**	40 671	91 604
Weighted average number of shares in issue ('000)	**226 979**	225 639	228 577
Diluted weighted average number of shares in issue ('000)	**232 370**	236 523	240 643
Basic earnings per share (cents)	**18,7**	18,0	40,1
Diluted earnings per share (cents)	**18,3**	17,2	38,1

	Six months to 30 June 2017	Six months to 30 June 2016	Year to 31 December 2016
10. Earnings per share *(continued)*			
Headline earnings per share			
The earnings used in the calculation of headline earnings per share are as follows:			
Profit after taxation (R'000)	**42 461**	40 671	91 604
Headline earnings adjustment (R'000)	**(202)**	(217)	(87)
▪ Gain on disposal of property, plant and equipment	**(281)**	(302)	(121)
▪ Tax effect of adjustments	**79**	85	34
Total headline earnings (R'000)	**42 259**	40 453	91 517
Weighted average number of shares in issue ('000)	**226 979**	228 534	228 577
Headline earnings per share (cents)	**18,6**	17,7	40,0
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:	**226 979**	225 639	228 577
Shares deemed to be issued for no consideration in respect of:			
Employee options	**5 391**	10 884	12 066
Weighted average number of ordinary shares in the calculation of diluted earnings per share	**232 370**	239 825	240 643

11. Dividends

No dividend was declared relating to the period under review.

12. Changes to the board

Shaun Naidoo (Alternate Mark Anderson) has been appointed non-executive director of the board effective 26 June 2017.

13. Other significant matter

The employment tax incentive introduced in January 2014 incentivises companies that employ young job seekers. The effect of this incentive on the group's results has been substantial and has been treated as a deduction of the relevant wage expense in terms of IAS 20: *Accounting for government grants and disclosure of government assistance.*

	Six months to 30 June 2017 R'000	Six months to 30 June 2016 R'000	Year to 31 December 2016 R'000
14. Notes to the condensed consolidated statement of cash flows			
14.1 Cash generated from operations			
Profit before taxation	**43 095**	44 446	91 168
Finance income	**(606)**	(308)	(1 431)
Finance costs	**11 163**	12 076	26 489
Adjustment for non-cash items:			
(Gain)/loss on disposal of property, plant and equipment	**(281)**	92	(121)
Depreciation and amortisation of non-financial assets	**12 969**	8 008	17 476
Equity-settled share based scheme	**–**	2 454	1 536
Shares issued	–	–	1 872
	66 340	66 768	136 989
14.2 Working capital changes			
Change in trade and other receivables	**(26 874)**	(80 896)	(52 182)
Change in inventories	**(275)**	(153)	1 369
Change in share-based payment	**3 564**	(501)	–
Change in trade payables	**13 180**	37 661	10 262
	(10 405)	(43 889)	(40 551)
14.3 Net cash flow on acquisition of business combinations			
Net cash outflow on the acquisition of subsidiaries (refer to note 15.1.5)	**(16 096)**	–	–
Net cash outflow on the acquisition of subsidiaries (refer to note 15.2.5)	**(5 683)**	–	–
Net cash outflow on the acquisition of subsidiaries – prior year's acquisition	**(18 750)**	(26 932)	(41 881)
	(40 529)	(26 932)	(41 881)

15. Business combinations

15.1.1 Business acquired

	Date of acquisition	Portion of business acquired %	Maximum conside-ration transferred R'000
KBC Holdings Proprietary Limited ("KBC")	**1 January 2017**	**100**	**48 489**

Principal activity

KBC is involved in the provision of induction training, safety, health and environmental training, contractor onboarding and contractor management services.

KBC was acquired as it complements the group's existing technical training offerings and its temporary employment service business, that provides contract workers to a wide range of industries. It is anticipated that the acquisition will give rise to cross-selling opportunities within the mining industries that require contractors to be compliant with relevant health and safety legislation.

	Maximum conside-ration transferred R'000
15.1.2 Maximum consideration transferred	
Cash	**24 036**
Contingent consideration arrangement	**24 453**
Total	**48 489**
15.1.3 Contingent consideration	
Second payment	**7 516**
Third payment	**7 516**
Fourth payment	**9 421**
Total additional amount	**24 453**

Under the contingent consideration arrangement for KBC, the group is required to pay up to a maximum of R24,453 million over a two-year period commencing on 1 January 2017 and ending on 31 December 2018 and will be subject to KBC achieving agreed upon profit after tax ("PAT") figures for the years ending 31 December 2017 and 31 December 2018. It is anticipated that the contingent payments will take place as follows:

- the second payment of up to R7,516 million will take place on 31 March 2018, subject to KBC achieving PAT of between R5,375 million and R7,133 million;
- the third payment of up to R7,516 million will take place on 31 March 2019, subject to KBC achieving PAT of between R6,069 million and R8,670 million; and
- provided that the full second and third payments have been made, a possible fourth payment of up to R9,421 million will take place on 31 March 2019, subject to KBC achieving an aggregate PAT in excess of R16,830 million for the years ended 31 December 2017 and 2018.

	R'000
15.1.4 Assets acquired and liabilities recognised at the date of acquisition	
Non-current assets	
Property, plant and equipment	**2 750**
Intangible assets	**14 773**
Investment in associate	**163**
Current assets	
Trade and other receivables	**4 408**
Cash and cash equivalents	**7 940**
Inventory	**277**
Current liabilities	
Trade and other payables	**(6 581)**
Taxation payable	**(204)**
Non-current liabilities	
Deferred tax liability	**(4 098)**
Total	**19 428**

The receivables acquired (principally trade receivables) in this transaction with fair value of R4 408 000 is equivalent to the gross contractual amount. All contractual cash flows are expected to be collected.

	R'000
15.1.5 Net cash outflow on acquisition of subsidiaries	
Consideration paid in cash	**24 036**
Less: Cash and cash equivalent balance acquired	**(7 940)**
Total	**16 096**
Goodwill arising on acquisition	
Maximum consideration transferred	**48 489**
Less: Fair value of identifiable net assets	**(19 428)**
Goodwill arising on acquisition	**29 061**

Goodwill arose on the acquisition of KBC because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of the expected synergies, revenue growth and future market share. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill in the KBC acquisition is expected to be deductible for tax purposes.

Impact of acquisitions on the results of the group
Revenue from the above acquisition amounted to R33 570 654 and profit before tax of R7 330 395 for the period under review.

15. Business combinations *(continued)*

15.2.1 *Business acquired*

	Date of acquisition	Portion of business acquired %	Maximum conside-ration transferred R'000
Oxyon Human Capital Solutions	1 February 2017	100	9 000
Principal activity			
Oxyon provides temporary employment services and permanent placement recruitment services.			
Day-Click Limited	1 March 2017	76	484
Principal activity			
Day-Click provides temporary employment services and permanent placement recruitment services in Mauritius.			

Oxyon was acquired in order to expand Workforce's offering in the skilled artisan and technical segments of the engineering industry.

Day-Click was acquired in order to give Workforce an entry point into the Mauritian market, where business opportunities have been identified.

	Oxyon Human Capital Solutions R'000	Day-Click Limited R'000	Total R'000
15.2.2 Maximum consideration transferred			
Cash	6 000	484	6 484
Contingent consideration arrangement	3 000	–	3 000
Total	9 000	484	9 484
15.2.3 Contingent consideration			
Contingent payment	3 000	–	3 000
Total additional amount	3 000	–	3 000
Under the contingent consideration arrangement for Oxyon, the group will be required to pay an amount of R3 million subject to the Oxyon business achieving an agreed upon gross profit target of no less than R16 million for the 12-month period commencing 1 February 2017. It is anticipated that this payment will be made on 31 March 2018.			
15.2.4 Assets acquired and liabilities recognised at the date of acquisition			
Non-current assets			
Property, plant and equipment	19	38	57
Current assets			
Trade and other receivables	–	12	12
Cash and cash equivalents	–	271	271

	Oxyon Human Capital Solutions R'000	Day-Click Limited R'000	Total R'000
15. Business combinations *(continued)*			
15.2.4 Assets acquired and liabilities recognised at the date of acquisition (continued)			
Current liabilities			
Borrowings	–	(594)	(594)
Trade and other payables	–	(12)	(12)
Total	**19**	**(285)**	**(266)**

The receivables acquired (principally trade receivables) in this transaction with a fair value of R12 000 for Day-Click Limited is equivalent to the gross contractual amount. All contractual cash flows are expected to be collected.

	Oxyon Human Capital Solutions R'000	Day-Click Limited R'000	Total R'000
15.2.5 Net cash outflow on acquisition of subsidiaries			
Consideration paid in cash	5 804	150	5 954
Less: Cash and cash equivalent balance acquired	–	(271)	(271)
Total	**5 804**	**(121)**	**5 683**

15.2.6 Non-controlling interest

The non-controlling interest (24% ownership interest in Day-Click Limited) recognised at the acquisition date was measured by reference to the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets and amounts to (R68 142).

	Oxyon Human Capital Solutions R'000	Day-Click Limited R'000	Total R'000
Goodwill arising on acquisition			
Maximum consideration transferred	9 000	484	9 484
Plus: Non-controlling interest	–	(68)	(68)
Less: Fair value of identifiable net assets	(19)	(285)	(304)
Goodwill arising on acquisition	**8 981**	**837**	**9 818**

For the Oxyon and Day-Click acquisitions, goodwill arose because the consideration paid for these combinations includes a control premium as well as amounts in relation to the benefit of the expected synergies, revenue growth and future market share. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for an identifiable intangible asset. None of the goodwill in these acquisitions is expected to be deductible for tax purposes.

Revenue from the above acquisitions amounted to R53 244 941 and profit before tax of R2 278 715 for the period under review.

16. Financial assets and financial liabilities

16.1.1 *Set out below is an overview of financial assets other than cash and short-term deposits held by the group as at June 2017, 31 December 2016 and June 2016.*

	Six months to 30 June 2017 R'000	Six months to 30 June 2016 R'000	Year to 31 December 2016 R'000
Financial assets at amortised cost			
Trade and other receivables	**651 676**	638 609	610 219
Available-for-sale investments			
Quoted equity shares	**3 084**	2 887	2 709
Total	**654 760**	641 496	612 928
Total current	**651 676**	638 609	610 219
Total non-current	**3 084**	2 887	2 709

16.1.2 *Set out below is an overview of financial liabilities held by the group as at June 2017, 31 December 2016 and June 2016.*

	Six months to 30 June 2017 R'000	Six months to 30 June 2016 R'000	Year to 31 December 2016 R'000
Financial liabilities at amortised cost			
Trade and other payables	**145 006**	142 630	**115 231**
Interest-bearing borrowings	**196 753**	221 686	**245 078**
Financial liabilities at fair value through profit or loss			
Contingent consideration	**55 518**	63 725	**45 056**
Loan on treasury shares	**7 711**	7 783	**7 711**
Total	**404 988**	435 824	**413 076**
Total current	**366 681**	406 882	**348 725**
Total non-current	**38 307**	28 942	**64 351**

16.2 *Fair value measurement*

Fair values

16.2.1 *Set out below is a comparison of the carrying amounts and fair values of the group's financial instruments, other than those with carrying amounts that are reasonable approximations of fair value.*

	Six months to June 2017		Six months to June 2016		Year to December 2016	
	Carrying amount R'000	**Fair value R'000**	Carrying amount R'000	Fair value R'000	Carrying amount R'000	Fair value R'000
Financial assets						
Available-for-sale financial asset	**2 684**	**2 684**	2 487	2 487	2 309	2 309
Total	**2 684**	**2 684**	2 487	2 487	2 309	2 309

16. Financial assets and financial liabilities *(continued)*

16.2 Fair value measurement (continued)

Fair values *(continued)*

16.2.1 Set out below is a comparison of the carrying amounts and fair values of the group's financial instruments, other than those with carrying amounts that are reasonable approximations of fair value (continued).

	Six months to June 2017		Six months to June 2016		Year to December 2016	
	Carrying amount R'000	**Fair value R'000**	Carrying amount R'000	Fair value R'000	Carrying amount R'000	Fair value R'000
Financial liabilities						
Loan on treasury shares	**7 711**	**7 711**	7 783	7 783	7 711	7 711
Contingent consideration relating to business combination	**55 518**	**55 518**	63 725	63 725	45 056	45 056
Total	**63 229**	**63 229**	71 508	71 508	52 767	52 767

16.2.2 The following table provides the fair value measurement hierarchy of the groups financial asset and financial liabilities as at June 2017 and June 2016.

		Fair value measurement using			
	Date of valuation	**Total R'000**	**Quoted prices in active markets level 1 R'000**	**Significant obser-vable inputs level 2 R'000**	**Significant unobser-vable inputs level 3 R'000**
As at 30 June 2017					
Assets measured at fair value					
Available-for-sale financial asset	30 June 2017	**2 684**	**2 684**	**–**	**–**
Liabilities measured at fair value					
Loan on treasury shares	30 June 2017	**7 711**	**–**	**–**	**7 711**
Contingent consideration relating to business combination	30 June 2017	**28 080**	**–**	**–**	**28 080**
As at 30 June 2016					
Assets measured at fair value					
Available-for-sale financial asset	30 June 2016	2 487	2 487	–	–
Liabilities measured at fair value					
Loan on treasury shares	30 June 2016	7 783	–	–	7 783
Contingent consideration relating to business combination	30 June 2016	63 725	–	–	63 725

16. Financial assets and financial liabilities *(continued)*

16.2 Fair value measurement (continued)

16.2.3 Description of significant unobservable inputs to valuation

The significant unobservable inputs to valuation used in the fair value measurements categorised within level 3 of the fair value hierarchy, together with a quantitive sensitivity analysis at as 30 June 2017 and 2016 are as shown below:

	Valuation technique and key inputs
Available-for-sale financial assets	
Non-current financial assets	
Listed shares	Quoted bid price in an active market.
Financial liabilities	
Loan on treasury shares	Discounted cash flow method was used to capture the present value of the expected future economic benefits that will flow out of the group.
Contingent consideration relating to business combination	Discounted cash flow method was used to capture the present value of the expected future economic benefits that will flow out of the group.

Significant unobservable inputs	Relationship of unobservable inputs to fair value
N/A	N/A
Discount rate of 8.7% determined using the risk adjusted rate.	A slight increase in the discount rate used in isolation would not result in a significant decrease in the fair value. (See below.)
Discount rate of 17.5% determined using capital asset pricing model.	A slight increase in the discount rate used in isolation would not result in a significant decrease in the fair value. (See below.)
Probability adjusted profits with ranges of R13 500 000 to R40 500 000, and R100 000 000 respectively.	A slight increase in the discount rate used in isolation would not result in a significant decrease in the fair value. (See below.)

Treasury share loan

A 2% increase or decrease in the discount rate used while holding all other variables constant would decrease/increase the fair value of the loan by R275 000 (2016: R280 000).

Contingent consideration

A 2% increase or decrease in the discount rate used while holding all other variables constant would decrease/increase the fair value of the loan by R66 600 (2016: R66 600).

Fair value of other financial assets and financial liabilities

The fair values of all other financial assets and financial liabilities approximates their carrying values.

17. Reclassification of prior year presentation

Certain reclassifications have been made to the prior period's condensed consolidated statement of cash flow in order to enhance the comparability to the current period's financial results. The recognition of share-based payments and the buy-back of shares which had been reported together, have subsequently been disclosed separately in the condensed consolidated statement of cash flow, resulting in certain line items being reclassified in the condensed consolidated statement of cash flows.

	Previously reported June 2016 R'000	Restated June 2016 R'000	Adjustment R'000
Condensed consolidated statement of cash flows			
Cash flows from operating activities	7 616	10 070	(2 454)
Cash flows from financing activities	41 160	38 706	2 454

Financial results review

Despite deteriorating unemployment levels and a challenging economic environment, the group has shown an improved performance, albeit modest, in the interim period. Turnover for the first six months of 2017 reflects an increase of 14.5% to R1,37 billion (2016: R1,19 billion). Organic turnover grew 8.4%, whilst the remainder of the increase is attributable to acquired companies.

Although gross profit increased 8.4% there has been a reduction in our gross profit margin percentages to 22.9% (2016: 24.2%). The acquisition of Oxyon, a high turnover, low margin business and a reduction in trading volumes in the relatively high margin energy infrastructure sector has dampened the gross profit margins.

Operating expenses increased by 9.5% to R243,9 million (2016: R222,9 million) resulting in an improved operating expense to turnover ratio of 17.9% (2016: 18.7%). Organic operating expenses only increased by 2.4% compared to the comparative period. Debtor's impairments were, however, at much improved levels compared to the comparative period. Excluding debtor's impairments, organic operating expenses increased by 6.9% compared to the comparative period. Workforce is continuing to invest in the future growth of the group in the form of early stage businesses, technology, human capital, and improved shared services delivery.

EBITDA increased by 4.7% to R69,0 million (2016: R65,9 million). EBITDA to turnover decreased to 5.1% (2016: 5.5%). The depreciation and amortisation charge increased by 62% to R12,97 million (2016: R8,0 million) mostly due to amortisation of intangible assets as a result of the KBC and Oxyon acquisitions.

Our training and healthcare segment has experienced good growth in line with our strategic intent. Turnover for the first six months in the training and healthcare segment grew by 55% to R104,9 million (2016: R67,7 million) and EBITDA by 14.4% to R15,1 million (2016: R13,2 million). The training and healthcare segment now contributes 13.5% (2016: 12.4%) of our group EBITDA.

Improved cash generation resulted in net finance costs decreasing marginally by 3.6% to R13,0 million (2016: R13,5 million), despite funding the KBC and Oxyon acquisitions from debt.

Cash flow

Cash flows from operating activities vastly improved to R45,3 million (2016: R10 million). The reason for this improvement is better collections on trade receivables which includes lower sales volumes from energy infrastructure projects, and a differential in the timing of the invoicing cycle compared to the previous year, which necessitated a lower net investment in working capital. Days sales outstanding ("DSO") decreased to 50 days (2016: 49 days) whilst overdue debtors older than 90 days remained at 8% (2016: 8%) of the total book.

Operating segments

During the reporting period the group consolidated its five previous reporting segments into three segments, namely:
- Staffing and outsourcing;
- Training and healthcare; and
- Financial and lifestyle.

These segments better represent the current core trading of the group and allows for a simpler understanding and communication of the performance of the business.

Taxation

The group continued to benefit from the employment tax incentive programme as well as learnership allowances in terms of section 12H of the Income Tax Act, 1962 (Act 58 of 1962). As a result, the group's tax rate remains low at 3.7% (2016: 8.6%).

Earnings per share increased by 3.9% to 18,7 cents per share (2016: 18,0 cents) and headline earnings per share increased by 5.1% to 18,6 cents per share (2016: 17,7 cents per share).

Acquisitions

Acquisitions are defined as all acquisitions where intangible assets resulting from the respective acquisitions are still being amortised and/or where imputed interest as a result of the acquisition is still being expensed in the current period. These entities currently include Prisma Training Solutions (acquired during 2015), Quyn and Gcubed (acquired during 2016), KBC Holdings (acquired 1 January 2017), Oxyon Human Capital Solutions (acquired 1 February 2017) and Day-Click Mauritius (acquired 1 March 2017). EBITDA contribution from acquisitions increased to R14,2 million

(2016: R13,4 million). Whilst the newly acquired companies KBC and Oxyon performed ahead of expectations, Prisma and Quyn had a challenging first six months of the year, in part due to their exposure to the mining sector and delays in infrastructure spend projects, respectively.

Contribution to earnings per share from acquisitions currently remains marginal due to intangible amortisation and intangible interest charges to the income statement, as required by IFRS.

Gearing

Net interest-bearing debt to total assets improved to 0,28 (2016: 0,34) and Net interest-bearing debt to total tangible assets improved to 0,36 (2016: 0,41), despite payments of R40,5 million (2016: R26,9 million) for acquisitions. Included in interest-bearing debt are contingent amounts owing to vendors of acquisitions amounting to R55,5 million (2016: R63,7 million).

Directors

Mr Shaun Naidoo was appointed as a non-executive director on 26 June 2017 as a representative of the company's shareholder Vunani. Shaun replaces Mr Mark Anderson who will remain on the board as an alternate director to Shaun.

Outlook

The recent Labour Appeal Court judgement relating to the Temporary Employment Service ("TES") industry has attracted much press coverage with its perceived negative implications for TES providers. What is relevant is that there has been an Application for Leave to Appeal this judgement lodged with the Constitutional Court. This action suspends this judgement and reinstates the initial Labour Court ruling, which found that a temporary employee working longer than three months and earning less than R205 433 annually is deemed to be an employee of both the TES provider and the TES provider's client and that these parties are jointly and severally liable for any employment related obligations relating to that employee.

The TES industry is confident that the Constitutional Court will uphold the initial ruling and it is estimated that we will have clarity in this regard within the next 12 months.

Notwithstanding the challenging economic and labour environment, management continues to identify growth opportunities within the segments the group operates in and remains committed to its diversification and acquisition strategies.

Events after reporting date

Management is not aware of any material events which have occurred subsequent to the reporting period.

RS Katz	**PM Froom**	**WP van Wyk**
Chairman	*Chief Executive Officer*	*Group Financial Director*

Johannesburg

23 August 2017

Notes

Executive Directors
PM Froom, RS Katz, WP van Wyk

Non-Executive Directors
JR Macey, S Naidoo, S Thomas, K Vundla
and M Anderson (Alternate to S Naidoo)

Designated Adviser
Merchantec Capital

Company secretary
S van Schalkwyk

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

PO Box 11137, Johannesburg, 2193

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

Commercial bankers
ABSA Business Bank

Company registration number: 2006/018145/06

www.workforce.co.za