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 2016

Innovative, integrated and
diversified people solutions

Highlights

- Revenue increased by **32%** from 2015.
- EBITDA increased by **70%** from 2015.
- Headline earnings per share ("HEPS") increased by **45%** to **17,7** cents, and earnings per share ("EPS") increased by **48%** to **18,0** cents.
- Diluted earnings per share increased by **48%** to **17,2** cents.
- Net asset value per share increased to **175** cents.

Condensed consolidated statement of comprehensive income

for the six months ended 30 June 2016

	Notes	**Six months to 30 June 2016 R'000**	Six months to 30 June 2015 R'000	Increase/ (decrease) %	Year to 31 December 2015 R'000
Revenue	8	**1 192 824**	904 594	**31,8**	1 949 771
Cost of sales		**(904 024)**	(696 306)	**29,8**	(1 494 934)
Gross profit		**288 800**	208 288	**38,7**	454 837
Other income		**–**	1 000		1 700
Operating costs		**(222 865)**	(170 418)	**30,8**	(349 951)
Earnings before impairment, depreciation, amortisation, interest and taxation ("EBITDA")		**65 935**	38 870	**69,6**	106 586
Depreciation and amortisation of non-financial assets		**(8 008)**	(5 673)	**41,2**	(12 910)
Operating profit	8	**57 927**	33 197	**74,5**	93 676
Finance income		**308**	978	**(68,5)**	297
Finance costs		**(13 789)**	(8 025)	**71,8**	(17 250)
Profit before taxation		**44 446**	26 150	**69,9**	76 723
Taxation (expense)/credit	9	**(3 811)**	2 008		758
Profit for the period		**40 635**	28 158	**44,3**	77 481
Other comprehensive (loss)/income for the period		**(46)**	1 200		917
Fair value (losses)/gains on available-for-sale financial assets to be reclassified subsequently to profit or loss		**(46)**	1 200		917
Total comprehensive income for the period		**40 589**	29 358		78 398
Profit for the period attributable to:					
Owners of the parent		**40 671**	27 524		76 785
Non-controlling interests		**(36)**	634		696
		40 635	28 158		77 481
Total comprehensive income attributable to:					
Owners of the parent		**40 625**	28 724		77 702
Non-controlling interests		**(36)**	634		696
		40 589	29 358		78 398
Earnings per share (cents)	10				
Basic		**18,0**	12,2		34,1
Diluted		**17,2**	11,6		32,5

Condensed consolidated statement of financial position

at 30 June 2016

	Notes	Six months to 30 June 2016 R'000	Six months to 30 June 2015 R'000	Year to 31 December 2015 R'000
Assets				
Non-current assets		**198 156**	114 579	152 097
Property, plant and equipment	5	**17 318**	8 451	15 176
Goodwill	6	**102 287**	41 280	62 501
Intangible assets	7	**40 953**	23 991	32 911
Deferred tax assets		**34 711**	37 641	38 576
Other financial assets		**2 887**	3 216	2 933
Current assets		**671 126**	460 562	535 436
Trade and other receivables		**638 609**	449 774	517 788
Inventories		**4 264**	3 076	4 111
Taxation		**–**	–	447
Cash and cash equivalents		**28 253**	7 712	13 090
Total assets		**869 282**	575 141	687 533
Equity and liabilities				
Equity		**395 498**	301 981	354 247
Share capital and premium		**241 867**	236 867	241 867
Treasury shares		**(8 748)**	(7 616)	(9 488)
Reverse acquisition reserve		**(125 499)**	(125 499)	(125 499)
Available for sale reserve		**640**	969	686
Equity-settled employee benefits reserve		**1 158**	1 208	1 659
Retained earnings		**285 721**	195 789	245 050
Equity attributable to owners of the parent		**395 139**	301 718	354 275
Non-controlling interests		**359**	263	(28)
Non-current liabilities		**77 197**	14 026	34 791
Financial liabilities		**66 581**	8 529	24 076
Deferred tax liabilities		**10 616**	5 497	10 715
Current liabilities		**396 587**	259 134	298 495
Trade and other payables		**142 630**	89 785	88 480
Financial liabilities		**251 379**	169 108	209 989
Taxation		**2 578**	236	–
Bank overdrafts		**–**	5	26
Total equity and liabilities		**869 282**	575 141	687 533

Condensed consolidated statement of changes in equity

for the six months ended 30 June 2016

	Attributable to owners of the parent	
	Share capital and premium R'000	**Reverse acquisition reserve R'000**
Balance at 1 January 2016	**241 867**	**(125 499)**
Recognition of share-based payments	–	–
Issue of ordinary shares under employee share option plan	–	–
Additional non-controlling interest arising on the acquisition of a business	–	–
Total comprehensive income for the period	–	–
Balance at 30 June 2016	**241 867**	**(125 499)**
Balance at 1 January 2015	236 867	(125 499)
Recognition of share-based payments	–	–
Total comprehensive income for the period	–	–
Balance at 30 June 2015	236 867	(125 499)
Balance at 1 January 2015	236 867	(125 499)
Payment of dividends	–	–
Recognition of share-based payments	–	–
Buy-back of shares	–	–
Issue of ordinary shares arising on the acquisition of a business	5 000	–
Total comprehensive income for the year	–	–
Balance at 31 December 2015	241 867	(125 499)

Attributable to owners of the parent						
Treasury shares R'000	Available-for-sale reserve R'000	Retained earnings R'000	Equity-settled employee benefits reserve R'000	Total R'000	Non-controlling interest R'000	Total R'000
(9 488)	**686**	**245 050**	**1 659**	**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**	**285 721**	**1 158**	**395 139**	**359**	**395 498**
(7 616)	(231)	168 265	898	272 684	(371)	272 313
–	–	–	310	310	–	310
–	1 200	27 524	–	28 724	634	29 358
(7 616)	969	195 789	1 208	301 718	263	301 981
(7 616)	(231)	168 265	898	272 684	(371)	272 313
–	–	–	–	–	(353)	(353)
–	–	–	761	761	–	761
(1 872)	–	–	–	(1 872)	–	(1 872)
–	–	–	–	5 000	–	5 000
–	917	76 785	–	77 702	696	78 398
(9 488)	686	245 050	1 659	354 275	(28)	354 247

Condensed consolidated statement of cash flows

for the six months ended 30 June 2016

	Notes	**Six months to 30 June 2016 R'000**	Six months to 30 June 2015 R'000	Year to 31 December 2015 R'000
Cash generated from operations before net working capital changes		**51 505**	31 899	88 638
Cash generated from operations	14.1	**64 314**	38 870	104 899
Finance income		**308**	978	297
Finance costs		**(12 076)**	(8 025)	(17 250)
Taxation paid		**(1 041)**	76	692
Increase in net working capital	14.2	**(43 889)**	(3 748)	(66 067)
Cash flows from operating activities		**7 616**	28 151	22 571
Cash flows from investing activities		**(33 587)**	(7 369)	(26 098)
Property, plant and equipment acquired – maintaining operations	6	**(3 050)**	(3 209)	(6 929)
Proceeds on disposal of property, plant and equipment		**210**	–	1 562
Dividend income		**–**	–	1 700
Intangible assets acquired – maintaining operations	7	**(3 815)**	(4 160)	(7 791)
Net cash flow on acquisition of business combinations	15	**(26 932)**	–	(14 640)
Cash flows from financing activities		**41 160**	(23 395)	6 271
Increase/(repayment) of borrowings		**40 420**	(23 395)	8 496
Payment for buy-back of share costs		**740**	–	(1 872)
Dividends paid		**–**	–	(353)
Net change in cash and cash equivalents		**15 189**	(2 613)	2 744
Cash and cash equivalents at the beginning of the period		**13 064**	10 320	10 320
Cash and cash equivalents at the end of the period		**28 253**	7 707	13 064

1. Nature of operations and general information

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

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

The unaudited condensed interim financial results were approved for issue by the board of directors of Workforce ("the Board") on 23 August 2016.

2. Basis of preparation and significant accounting policies

The 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 results for the six months ended 30 June 2016 were compiled under the supervision of W van Wyk, CA(SA) the Group Financial Director. 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 annual financial statements for the year ended 31 December 2015.

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	Computer equipment R'000
Six months to 30 June 2016		
Carrying amount at 1 January 2016	**3 393**	**2 524**
Additions	**4**	**1 525**
Disposals	**(236)**	**(66)**
Acquired through business combination	**1 311**	**28**
Depreciation	**(461)**	**(862)**
Carrying amount at 30 June 2016	**4 011**	**3 149**
Six months to 30 June 2015		
Carrying amount at 1 January 2015	2 105	1 865
Additions	–	1 224
Depreciation	(477)	(573)
Carrying amount at 30 June 2015	1 628	2 516
Year to 31 December 2015		
Carrying amount at 1 January 2015	2 105	1 865
Additions	1 668	2 251
Disposals	(570)	(225)
Acquired through business combination	1 212	35
Depreciation	(1 022)	(1 402)
Carrying amount at 31 December 2015	3 393	2 524

Industrial equipment R'000	Office equipment R'000	Leasehold improvements R'000	Training manuals R'000	Land and buildings R'000	Total R'000
2 026	**1 361**	**183**	**2 989**	**2 700**	**15 176**
373	**1 116**	**7**	**25**	**–**	**3 050**
–	**–**	**–**	**–**	**–**	**(302)**
52	**58**	**–**	**–**	**–**	**1 449**
(314)	**(341)**	**(47)**	**(30)**	**–**	**(2 055)**
2 137	**2 194**	**143**	**2 984**	**2 700**	**17 318**
463	1 263	227	1 129	–	7 052
1 534	417	20	14	–	3 209
(150)	(327)	(62)	(221)	–	(1 810)
1 847	1 353	185	922	–	8 451
463	1 263	227	1 129	–	7 052
1 975	916	78	41	–	6 929
–	(14)	–	–	–	(809)
–	33	–	3 030	2700	7 010
(412)	(837)	(122)	(1 211)	–	(5 006)
2 026	1 361	183	2 989	2 700	15 176

	R'000
6. Goodwill	
Six months to 30 June 2016	
Carrying amount at 1 January 2016	**62 501**
Acquired through business combinations (refer to note 15)	**39 786**
Carrying amount at 30 June 2016	**102 287**
Six months to 30 June 2015	
Carrying amount at 1 January 2015	41 280
Acquired through business combinations	–
Carrying amount at 30 June 2015	41 280
Year to 31 December 2015	
Carrying amount at 1 January 2015	41 280
Acquired through business combinations	21 221
Carrying amount at 31 December 2015	62 501

	Computer software R'000	Brands R'000	Client relation-ships R'000	Work in progress R'000	Total R'000
7. Intangible assets					
Six months to 30 June 2016					
Carrying amount at 1 January 2016	**16 555**	**1 800**	**9 078**	**5 478**	**32 911**
Acquired through business combinations	**–**	**–**	**10 180**	**–**	**10 180**
Additions	**1 385**	**–**	**–**	**2 430**	**3 815**
Amortisation	**(3 257)**	**(535)**	**(2 161)**	**–**	**(5 953)**
Carrying amount at 30 June 2016	**14 683**	**1 265**	**17 097**	**7 908**	**40 953**
Six months to 30 June 2015					
Carrying amount at 1 January 2015	18 297	2 870	–	2 527	23 694
Additions	878	–	–	3 282	4 160
Amortisation	(3 328)	(535)	–	–	(3 863)
Carrying amount at 30 June 2015	15 847	2 335	–	5 809	23 991
Year to 31 December 2015					
Carrying amount at 1 January 2015	18 297	2 870	–	2 527	23 694
Acquired through business combinations	–	–	9 330	–	9 330
Additions	4 840	–	–	2 951	7 791
Amortisation	(6 582)	(1 070)	(252)	–	(7 904)
Carrying amount at 31 December 2015	16 555	1 800	9 078	5 478	32 911

8. Segment analysis

The group's segment 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** is a registered training provider focused on delivering industry and job-specific skills assessments and training interventions to businesses and their employees across all industry sectors. Our training programmes are aligned with South African Qualifications Authority ("SAQA") and accredited with Sector Education and Training Authority ("SETA") Quality Assurance departments;
- **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 are monitored and strategic decisions are made on the basis of adjusted segment operating results.

8. Segment analysis (continued)

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

	Staffing and Recruitment R'000	Training and Consulting R'000
Six months to June 2016		
Segment revenues	**1 006 316**	**47 830**
Inter-segment revenues	**–**	**6 026**
Cost of sales	**(794 696)**	**(18 531)**
Operating costs	**(125 943)**	**(23 504)**
EBITDA	**85 677**	**11 821**
Depreciation and amortisation of non-financial assets	**(1 610)**	**(449)**
Segment operating profit	**84 067**	**11 372**
Capital expenditure	**12 260**	**104**
Segment total assets	**396 782**	**81 305**
Segment total liabilities	**(51 120)**	**(52 948)**
Net segment assets	**345 662**	**28 357**
Six months to June 2015		
Segment revenues	772 039	23 581
Cost of sales	(607 873)	(12 545)
Operating costs	(101 771)	(9 702)
Other income	–	–
EBITDA	62 395	1 334
Depreciation and amortisation of non-financial assets	(1 400)	(338)
Segment operating profit	60 995	996
Capital expenditure	1 135	104
Segment total assets	251 975	6 835
Segment total liabilities	(44 201)	(18 144)
Net segment assets/(liabilities)	207 774	(11 309)
Year to 31 December 2015		
Segment revenues	1 665 232	48 210
Inter-segment revenues	3	5 969
Cost of sales	(1 314 678)	(23 606)
Inter-segment cost of sales	–	–
Operating costs	(213 790)	(26 693)
Other income	1 700	–
EBITDA	138 467	3 880
Depreciation and amortisation of non-financial assets	(2 799)	(741)
Segment operating profit	135 668	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/(liabilities)	292 807	13 872

Financial and Lifestyle Products R'000	Employee Health Management R'000	Process Outsourcing R'000	Central cost R'000	Consolidation entries R'000	Total R'000
43 343	**19 856**	**75 479**	**–**	**–**	**1 192 824**
–	**–**	**–**	**–**	**(6 026)**	**–**
(15 615)	**(6 472)**	**(68 710)**	**–**	**–**	**(904 024)**
(22 671)	**(11 961)**	**(4 142)**	**(40 670)**	**6 026**	**(222 865)**
5 057	**1 423**	**2 627**	**(40 670)**	**–**	**65 935**
(1 174)	**(444)**	**(48)**	**(2 280)**	**(2 003)**	**(8 008)**
3 883	**979**	**2 579**	**(42 950)**	**(2 003)**	**57 927**
1 684	**1 921**	**7**	**2 518**	**–**	**18 494**
189 105	**3 523**	**28 633**	**169 934**	**–**	**869 282**
(188 901)	**(2 778)**	**(21 078)**	**(156 959)**	**–**	**(473 784)**
204	**745**	**7 555**	**12 975**	**–**	**395 498**
32 709	17 375	60 480	–	(1 590)	904 594
(9 248)	(7 221)	(59 419)	–	–	(696 306)
(17 926)	(8 989)	(3 656)	(29 964)	1 590	(170 418)
1 000	–	–	–	–	1 000
6 535	1 165	(2 595)	(29 964)	–	38 870
(1 296)	(284)	(33)	(2 322)	–	(5 673)
5 239	881	(2 628)	(32 286)	–	33 197
1 684	1 921	7	2 518	–	7 369
154 746	12 419	24 298	124 868	–	575 141
(137 155)	(7 432)	(22 863)	(43 365)	–	(273 160)
17 591	4 987	1 435	81 503	–	301 981
69 710	36 591	130 028	–	–	1 949 771
9 414	–	–	–	(15 386)	–
(21 855)	(14 915)	(119 880)	–	–	(1 494 934)
(6 778)	–	–	–	6 778	–
(37 093)	(18 894)	(7 306)	(54 783)	8 608	(349 951)
–	–	–	–	–	1 700
13 398	2 782	2 842	(54 783)	–	106 586
(2 622)	(671)	(93)	(5 984)	–	(12 910)
10 776	2 111	2 749	(60 767)	–	93 676
3 343	2 251	46	6 277	–	31 060
166 435	3 208	17 152	113 024	–	687 533
(174 910)	(2 776)	(16 692)	(57 873)	–	(333 286)
(8 475)	432	460	55 151	–	354 247

9. Taxation

The effective tax rate of 8,6% (2015: [7,7%]) 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 2016	Six months to 30 June 2015	Year to 31 December 2015
10. Earnings per share			
Basic earnings per share			
Profit attributable to equity shareholders of the parent company (R'000)	**40 671**	27 524	76 785
Weighted average number of shares in issue ('000)	**228 534**	225 630	225 328
Diluted weighted average number of shares in issue ('000)	**222 208**	236 514	236 619
Basic earnings per share (cents)	**18,0**	12,2	34,1
Diluted earnings per share (cents)	**17,2**	11,6	32,5
Headline earnings per share			
The earnings used in the calculation of headline earnings per share are as follows:			
Profit after taxation (R'000)	**40 671**	27 524	76 785
Headline earnings adjustment (R'000)	**(217)**	–	(1 806)
– (Gain) on disposal of property, plant and equipment	**(302)**	–	(809)
– Gain on bargain purchase	**–**	–	(1 700)
– Tax effect of adjustments	**85**	–	703
Total headline earnings (R'000)	**40 453**	27 524	74 979
Weighted average number of shares in issue ('000)	**228 534**	225 630	225 328
Headline earnings per share (cents)	**17,7**	12,2	33,3

11. Dividends

No dividend was declared relating to 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.

13. Changes to the Board

Ms Lulu Letlape resigned on 1 June 2016 as an Independent Non-Executive Director and member of the Audit and Risk Committee as well as the Social and Ethics Committee with effect from 31 May 2016. The Board are in the process of finding a suitable replacement and shareholders will be advised once an appointment has been made.

As announced on SENS on 26 July 2016, Mr Philip Froom was appointed as Chief Executive Officer with effect from 15 August 2016. Following Mr Froom's appointment to the Board:

- Mr Ronny Katz will no longer serve as acting Chief Executive Officer and will resume his role as Executive Chairman of the Board and;
- Mr John Macey will cease acting as Chairman of the Board and he will resume his role as lead independent director and Chairperson of the Audit and Risk Committee; and
- Ms Kyansambo Vundla will cease acting as Chairperson of the Audit and Risk Committee and she will resume her role as Independent Non-Executive Director and member of the Audit and Risk Committee.

	Six months to 30 June 2016	Six months to 30 June 2015	Year to 31 December 2015
14. Notes to the condensed consolidated statement of cash flows			
14.1 Cash generated from operations			
Profit before taxation	**44 446**	26 150	76 723
Interest and dividend income	**(308)**	(978)	(1 997)
Finance costs	**12 076**	8 025	17 250
Adjustment for non-cash items:			
Loss/(gain) on disposal of property, plant and equipment	**92**	–	(809)
Depreciation and amortisation of non-financial assets	**8 008**	5 673	12 910
Equity-settled share-based payments	**–**	–	761
Other	**–**	–	61
	64 314	38 870	104 899
14.2 Working capital changes			
Change in trade and other receivables	**(80 896)**	(9 735)	(69 404)
Change in inventories	**(153)**	9	(1 026)
Change in share-based payment	**(501)**	310	–
Change in trade and other payables	**37 661**	5 668	4 363
	(43 889)	(3 748)	(66 067)

	Date of acquisition	Portion of business acquired %	R'000

15. Business combinations

15.1.1 Business acquired

	Date of acquisition	Portion of business acquired %	R'000
Quyn Group	1 February 2016	100	**76 851**

Principal activity

Provision of outsourced human resources ("HR") services including Temporary Employment Services ("TES"), HR outsourcing, payroll bureau services, HR and industrial relations ("IR") consulting and permanent placements

The Quyn Group was acquired to give Workforce an increased presence in the provision of outsourced technical skills. The entities comprising the Quyn Group are Quyn International Outsourcing Proprietary Limited, Molapo Quyn Outsourcing Proprietary Limited, Sizuluntu Staffing Solutions Proprietary Limited, Quyn Payroll Services Proprietary Limited and Quyn HR Consulting Proprietary Limited.

15.1.2 Consideration transferred

	R'000
Cash	**38 101**
Contingent consideration arrangement	**38 750**
Total	**76 851**

15.1.3 Contingent consideration

	R'000
Third payment	**6 250**
Fourth payment	**6 250**
Fifth payment	**18 750**
Sixth payment	**7 500**
Total additional amount	**38 750**

Under the contingent consideration arrangement, the group is required to pay the balance of R38,75 million in 4 installments over a 19 month period commencing from 1 August 2016. The third, fourth, fifth and sixth payments fall due on 1 August 2016, 1 November 2016, 1 February 2017, and 1 February 2018 respectively.

	R'000

15. Business combinations (continued)

15.1.4 Assets acquired and liabilities recognised at the date of acquisition

	R'000
Non-current assets	
Property, plant and equipment	1 421
Intangible assets	6 180
Current assets	
Trade and other receivables	39 909
Cash and cash equivalents	11 169
Current tax	1 074
Equity	
Non-controlling interest	(423)
Current liabilities	
Trade and other payables	(16 489)
Taxation payable	(2 245)
Deferred tax liability	(1 730)
Financial liability	(1 148)
Total	37 718

The receivables acquired (principally trade receivables) in this transaction with fair value of R39 909 000 is equivalent to the gross contractual amount. All contractual cash flows are expected to be collected.

15.1.5 Net cash outflow on acquisition of subsidiaries

	R'000
Consideration paid in cash	38 101
Less: Cash and cash equivalent balance acquired	(11 169)
Total	26 932
Goodwill arising on acquisition	
Consideration transferred	76 851
Less: Fair value of identifiable net assets	(37 718)
Goodwill arising on acquisition	39 133

Goodwill arose on the acquisition of The Quyn Group 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 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. The intangible asset attributable to this business combination comprises of client relationships. None of the goodwill arising in the above acquisition is expected to be deductible for tax purposes.

15.1.6 Impact of acquisitions on results of the group.

Included in the profit for the year is R2,6 million, attributable to the additional business generated by the Quyn Group. Revenue for the period includes R93 million in respect of the Quyn Group.

	Date of acquisition	Portion of business acquired %	R'000
15. Business combinations (continued)			
15.2.1 Business acquired			
Gcubed Boutique Recruitment	1 May 2016	100	**3 900**

Principal activity

Gcubed is a boutique permanent placement recruitment business that also provides executive search services

Gcubed was acquired to give Workforce an increased presence in the permanent placement recruitment sector of outsourcing.

15.2.2 Consideration transferred

	R'000
Cash	**2 500**
Contingent consideration arrangement	**1 400**
Total	**3 900**

The cash component above was paid on 5 August 2016. Under the contingent consideration arrangement, the group is required to pay up to R1,4 million at the end of a one-year period commencing from 1 May 2016, subject to the achievement of PAT of between R714 000 and R1 500 000 during this period. The PBIT for the 12-month period ending 29 February 2016 was R998 000, and the directors do consider it probable that the additional payments will be required.

15.2.3 Contingent consideration

	R'000
Second payment	**1 400**
Total additional amount	**1 400**

15.2.4 Assets acquired and liabilities recognised at the date of acquisition

	R'000
Non-current assets	
Property, plant and equipment	**28**
Intangible assets	**4 000**
Current assets	
Trade and other receivables	**340**
Current liabilities	
Deferred tax liability	**(1 121)**
Total	**3 247**

	R'000
15. Business combinations (continued)	
15.2.5 Net cash outflow on acquisition of subsidiaries	
Consideration paid in cash	–
Less: Cash and cash equivalent balance acquired	–
Total	–
Goodwill arising on acquisition	
Consideration transferred	3 900
Less: Fair value of identifiable net assets	(3 247)
Goodwill arising on acquisition	653

The intangible asset attributable to this business combination comprises continuing client relationships which are underpinned by restraint of trade agreements in place with key Gcubed staff. The remaining differential in purchase price and identifiable tangible and intangible assets has been ascribed to goodwill. This goodwill is not deductible for tax purposes.

Directors' commentary

Turnover for the six-month period under review reflects an increase of 32% to R1,12 billion (2015: R905 million). Nineteen percentage points of this increase is attributable towards organic growth whilst the remainder of the increase is due to the two acquisitions, Prisma Training Solutions Proprietary Limited ("Prisma Training Solutions") effective 1 October 2015, and the Quyn group of companies, effective 1 February 2016. A smaller acquisition, Gcubed, was made towards the end of the reporting period, but did not have a material impact on the results.

The organic growth is mainly attributable to the staffing and recruitment business which has been able to build on momentum gained towards the end of the 2015 financial year. This growth is driven by a broad-based improvement in turnover across all regions and especially buoyed by the group's continued involvement in energy and telecommunication-related infrastructure projects. The training, financial and lifestyle, employee health management and process outsourcing segments all made positive contributions and contributed to growth in earnings.

Gross margins improved to 24,2% (2015: 23,0%), primarily due to the acquisition of Prisma Training Solutions which operates in the high margin training space, as well as slightly higher margins in the staffing and recruitment business.

The employment tax incentive remains a contributor to the group's results, albeit at lower levels than 2015. Whilst the possibility of extending this incentive has been raised in the recent budget speech, it may be discontinued as from the end of 2016. Strategies are in place to replace this income stream.

Total operating expenses as a percentage of total turnover is flat at 18,6% (2015: 18,8%). Management is of the opinion that operating expenses are too high compared to the industry and efforts continued to be made to reduce this, including further unlocking of organisational and technological opportunities.

Prisma Training Solutions, acquired effective 1 October 2015, performed to expectation, as mirrored by the training segment results. The Quyn group of companies, acquired effective 1 February 2016, whilst still contributing positively, had a slow start as bigger projects they are involved in, will only take off during the second half of the financial year.

EBITDA increased by 69,6% to R65,9 million (2015: R38,9 million) resulting in EBITDA to sales of 5,5% (2015: 4,3%).

An increase in depreciation and amortisation costs to R8,0 million (2015: R5,7 million), is almost exclusively due to the amortisation of intangible assets, derived from the two acquisitions.

Net finance costs increased to R13,5 million (2015: R7,0 million). R3,4 million of this amount reflects imputed interest as a result of acquisitions made. The differential is due to the increase in the prime lending rate from the previous year as well as slightly higher levels of borrowings as a result of funding acquisitions. In spite of this, the interest cover ratio improved to 5,1 (2015: 4,5).

Earnings per share increased by 48% to 18,0 cents (2015: 12,2 cents), and headline earnings per share increased by 45% to 17,7 cents.

The increase in goodwill and intangible assets is mostly due to the acquisition of the Quyn group of companies effective 1 February 2016.

The substantial increase in trade and other receivables also reflects the Quyn acquisition. Days sales outstanding ("DSO") has, however, deteriorated from 45 days in December 2015 to 49 days as at the reporting date. This reflects an increase in debtor levels typical of infrastructure projects, and the tougher collection environment. In spite of this the net overdue book over 90 days still reflects 8% of the total which is in line with December 2015.

Included in non-current and current liabilities are amounts due to sellers of the acquired companies to the value of R62 million which is payable between reporting date and the 2018 financial year.

The relatively low cash flows generated from operating activities is indicative of the higher DSO as described above, but also the growth in turnover during the last couple of months of the reporting period. Debtor management remains a key priority for management.

Looking forward

The group expects the current momentum in the business to be maintained throughout the second half of the financial year, albeit from a higher base established during the fourth quarter of 2015. Consideration should also be given to the fact that the temporary employment industry typically performs better during the second half of the calendar year due to seasonal factors. Philip Froom was appointed Chief Executive Officer with effect from 15 August and we look forward to his contributions to the group.

For and on behalf of the Board

RS Katz
(Chairman)

WP van Wyk
(Group Financial Director)

Johannesburg
23 August 2016

Executive directors
RS Katz
PM Froom
WP van Wyk

Non-executive directors
NM Anderson
JR Macey
K Vundla

Designated adviser
Merchantec Capital

Company secretary
S 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

11 Diagonal Street
Johannesburg
2001