



Integrated annual report 2017

**Uplifting** people.  
**Growing** business.



## Scope and boundary

### Approach

This integrated annual report follows on from the integrated annual report we published for Workforce's previous financial year and builds on progress, insights and feedback received during the year and seeks to provide our stakeholders with balanced, accurate and understandable information about our financial and non-financial performance for the period 1 January 2017 to 31 December 2017 on matters material to our strategy and our ability to create and sustain value.

### Boundary

The boundary of our report is the financial reporting entity of Workforce Holdings Limited and its subsidiaries. The report framework is in line with International Financial Reporting Standards ("IFRS"), the King Report on Corporate Governance in South Africa ("King IV") and the South African Companies Act 2008 (Act 71 of 2008), as amended. The audited financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

There have been no significant changes in the size, structure or ownership of the group during the current reporting period. The company endeavours to provide a view of its performance over time, reflecting not only on our successes but also the challenges we face.

Integrated reporting is recommended by King IV and in preparing our report we were also guided by the International <IR> Framework which was issued by the International Integrated Reporting Committee ("IIRC") in December 2013. We will continue to embed these guiding principles in order that we can best serve the information needs of all our stakeholders.

### Assurances

The group's annual financial statements were independently audited and assured by our external auditors, Horwath Leveton

Boner. Our broad-based black economic empowerment ("B-BBEE") contributor levels were verified by Siyandisa Verification Solutions Proprietary Limited, a SANAS approved external B-BBEE ratings agency.

### Forward-looking statements

Certain statements in this report are "forward-looking". Words such as "forecasts", "believes", "expects", "intends", "plans", "will", "may", "should", "could", "anticipates", "estimates", "seeks", "continues" or similar expressions or the negative thereof, are typically indicative of forward-looking statements. These statements are not guarantees of Workforce's future operating, financial or other results and involve certain risks, uncertainties and assumptions. Accordingly, actual results and outcomes may differ materially from those expressed or implied by such statements. Workforce Holdings Limited is not obliged to publicly update or revise these forward-looking statements on events or circumstances occurring after the date of publication of this report.

### Board approval

The Workforce Holdings Limited Board of Directors ("the board") acknowledges its responsibility to ensure the integrity of the integrated annual report for the 2017 financial year, and in the board's opinion this report addresses the group's material issues and presents fairly its integrated performance and its impacts.



**RS Katz**  
Executive  
Chairman



**PM Froom**  
Chief Executive  
Officer



**WP van Wyk**  
Financial  
Director

14 March 2018

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# SUMMARY OF OUR PERFORMANCE

Revenue up by **11%** to **R2,8 billion**

Gross profit increased by 6,1% to

**R635** million

(2016: R598 million)



EBITDA decreased by 0,4% to

**R133,9** million

(2016: R134,4 million)



NAV up by 21,5% to

**R2,37**

(2016: R1,95)



Profit after tax increased by 7,6%

**R98,5** million

(2016: R91,6 million)



HEPS up by 7% to

**42,8** cents per share

(2016: 40,0 cents per share)



Cash flows from operating activities

**R15,9** million

(2016: R69,2 million)



## Acquisitions during 2017

KBC Holdings Proprietary Limited

Oxyon Human Capital Solutions

Day-Click Limited (Mauritius)

Improved terms and increased capacity on debt facility

## Our people



Permanent staff employed

**1 343**



Permanent staff are women

**63%**



#workforce *wellness*

Launch of #WorkforceWellness programme incorporating physical fitness, mental health and emotional wellness support services for Workforce employees

## Segments

Staffing and Outsourcing



Training and Consulting



Financial and Healthcare



Weekly assignees

**34 241**

People trained

**137 000**

Funeral and medical policies

**36 277**

Youth employed

**74%**

Training centres

**18**

Funeral policy lives covered

**75 451**

Assignees trained on learnership programmes

**797**

Qualifications

**38**

Lives covered through our EAP call centre

**45 320**

Learners on learnership programmes

**4 600**

Medical examinations conducted

**71 396**

## Social



**51%**

Black ownership

B-BBEE  
**Level 4**

People paid during 2017

**78 592**



**30%**

Black women ownership

Unemployed people trained on learnership programmes

**1 327**

1 241 were black learners

**96%**

1 246 were "youth" learners

**96%**

## Footprint



Operational countries



Branches in all the provinces of South Africa



Branches beyond our borders



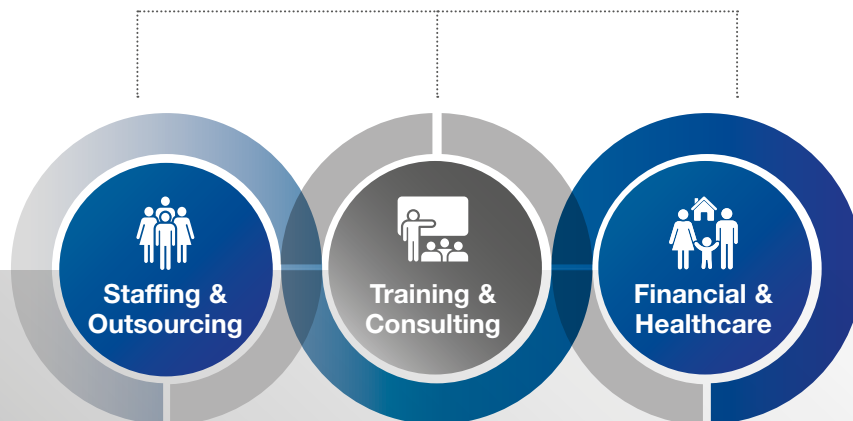
Trading brands in the group



# This is Workforce

1

## Who we are



Workforce Holdings Limited is an investment holding company with various subsidiaries that provide employment, training, healthcare, wellness, financial services and lifestyle benefits to individuals and their employers in diverse industries.

Established in 1972, the Workforce brand has grown from a staff and labour provider into a large diversified group of companies offering an extensive range of integrated people solutions. The group's business is segmented into three focus areas, namely staffing and outsourcing, training and consulting and financial and healthcare.

Services integration of the various offerings of each of the closely aligned trading companies within our business model is core to the sustainable growth of the business as it facilitates further growth and diversification of our range of products and services, and expansion into new markets and territories within and beyond South Africa's borders.

## Diversified business structure

### Staffing and Outsourcing



- Temporary employment services
- Permanent recruitment
- Executive search
- Payroll management
- HR and IR consulting services
- Disability solutions
- Turnkey staffing solutions
- Business process outsourcing

### Training and Consulting



- Short courses
- Skills programmes
- Full qualifications
- Learnerships
- Apprenticeships
- Internships
- Contractor on-boarding
- Adult Education Training ("AET")

### Financial and Healthcare

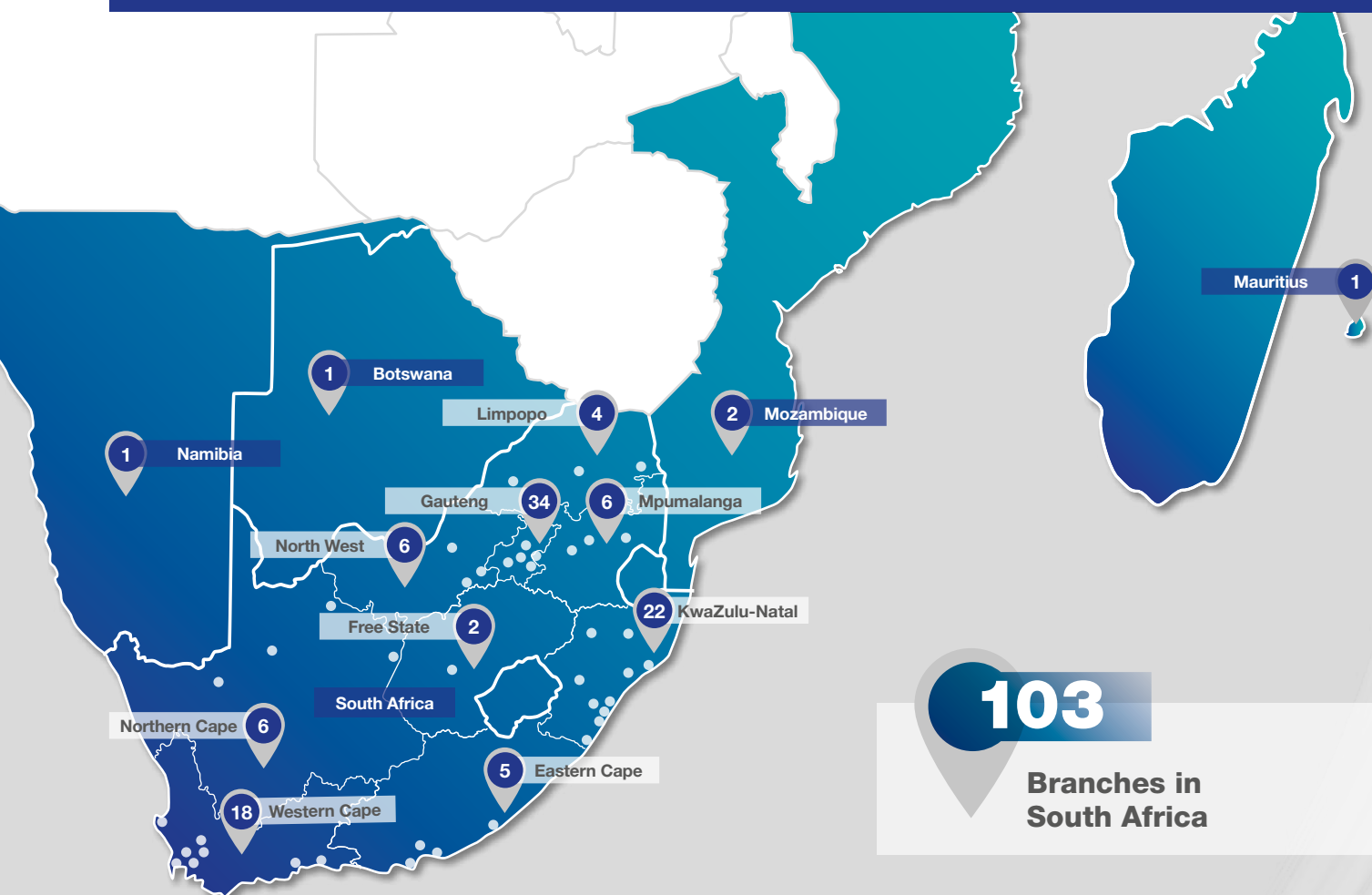


- Funeral cover
- Hospital cover
- Day-to-day medical insurance
- Lending products
- Primary healthcare
- Occupational healthcare
- Employee wellness programmes
- Health risk assessments



## Where we operate

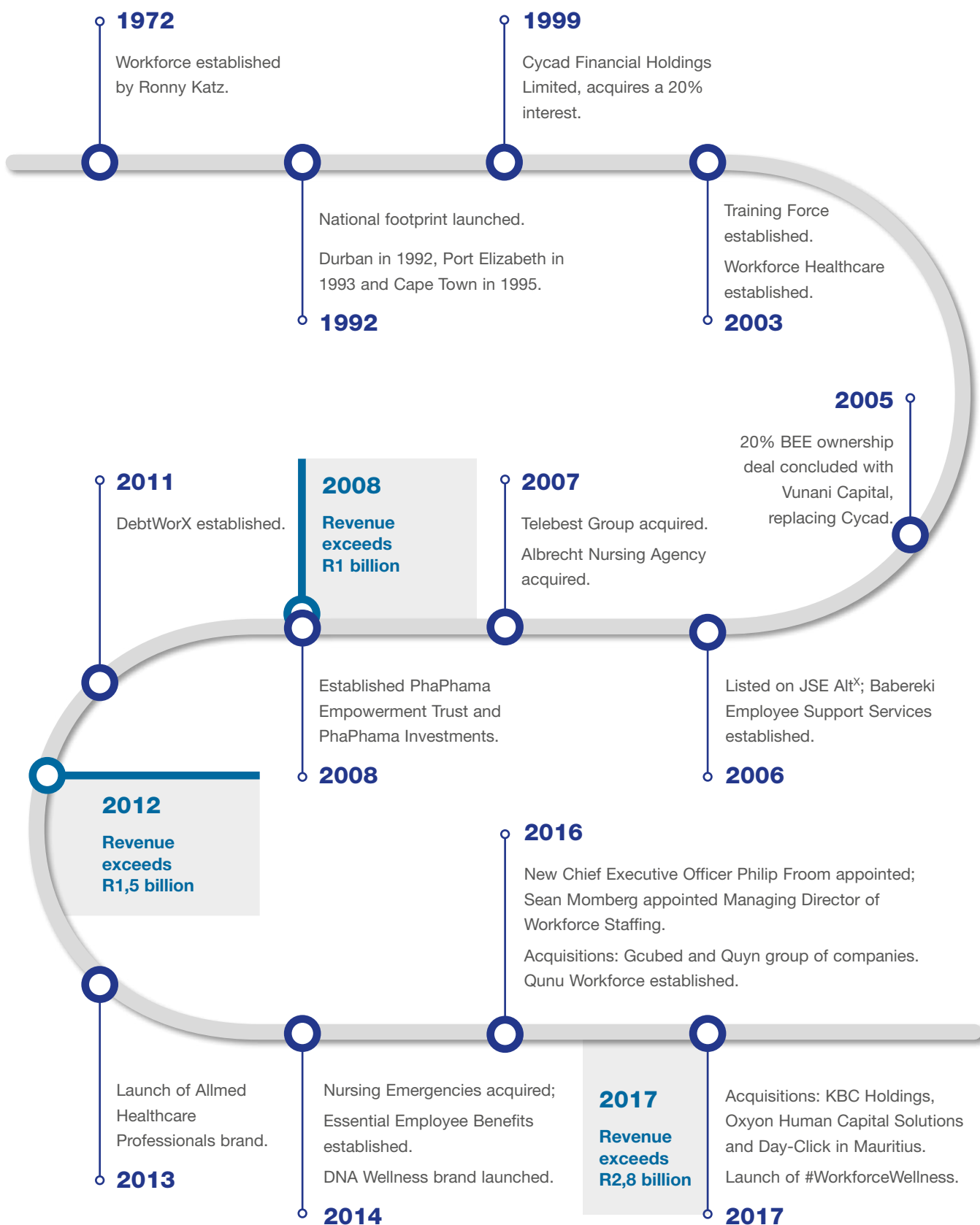
### Southern Africa



The group operates predominantly in South Africa with a footprint that extends to all the provinces of the country and currently comprises 103 branches. The opening of a branch in Maputo has extended our presence in Mozambique, while operations in Namibia, Botswana and Mauritius continue to grow.



## Workforce milestones



## Our value creation business model

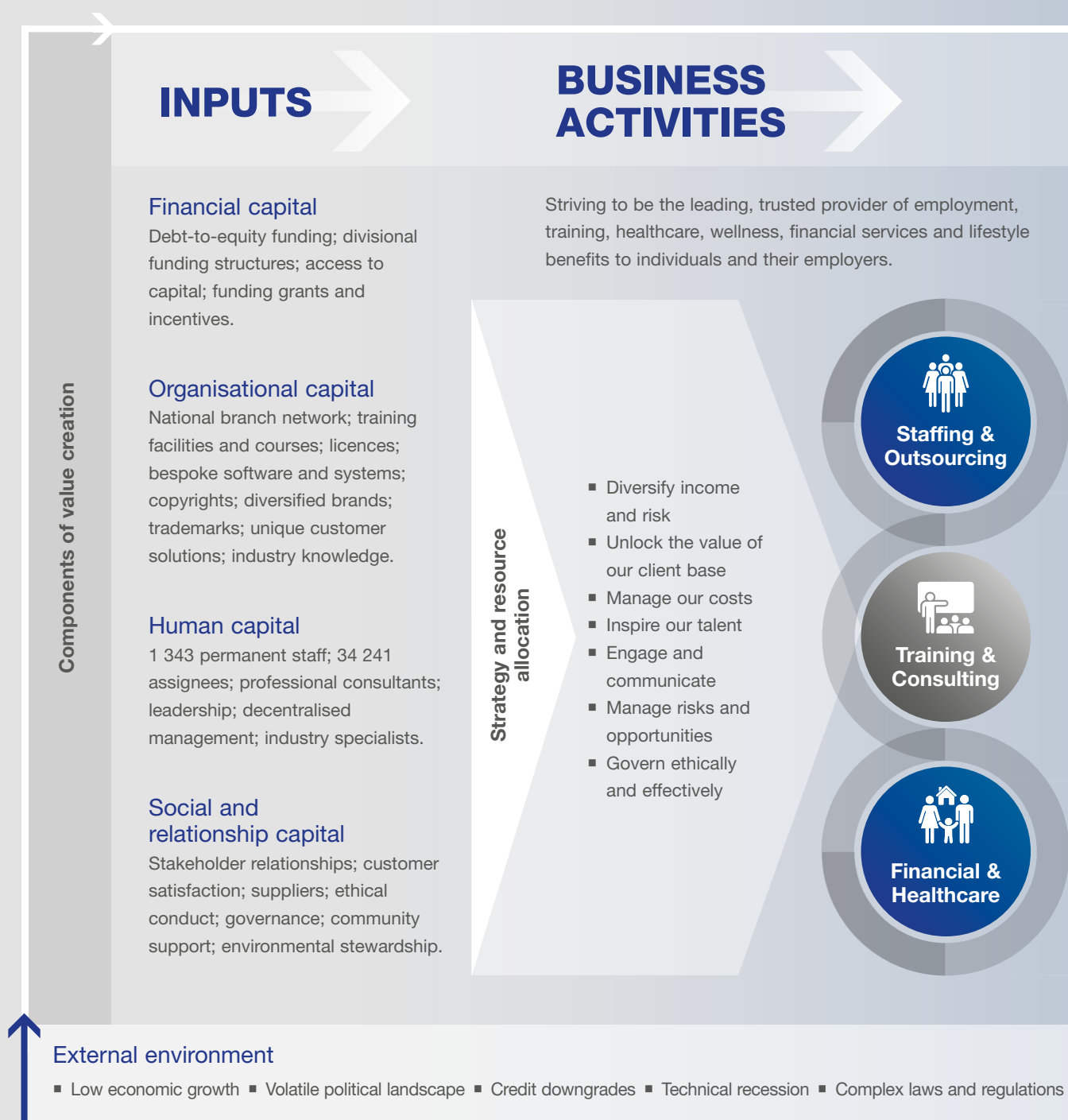
**We create shared value by making a meaningful and sustainable difference in people's lives.**

### Our vision

To be a global provider of innovative, integrated and diversified people solutions.

### Our purpose

To make a meaningful and sustainable difference in people's lives – to uplift them, to find employment for people and empower them with the appropriate training, healthcare, financial services and lifestyle benefits.



## Our values

→ Integrity

→ Collaboration

→ Accountability

→ Determination

→ Diligence

→ Gratitude

→ “Can-Do” attitude

## OUTPUTS

## OUTCOMES AND SHARED VALUE CREATED

### Making a difference in people's lives.

- Temporary employment services
- Staff outsourcing
- Recruitment solutions
- Specialist staffing
- Disability solutions
- Business process outsourcing

- Short courses
- Skills programmes
- Full qualifications
- IR/HR consulting
- Contractor on-boarding

- Financial services
- Lifestyle products
- Employee benefits
- Primary healthcare
- Occupational health
- Employee wellness and assistance

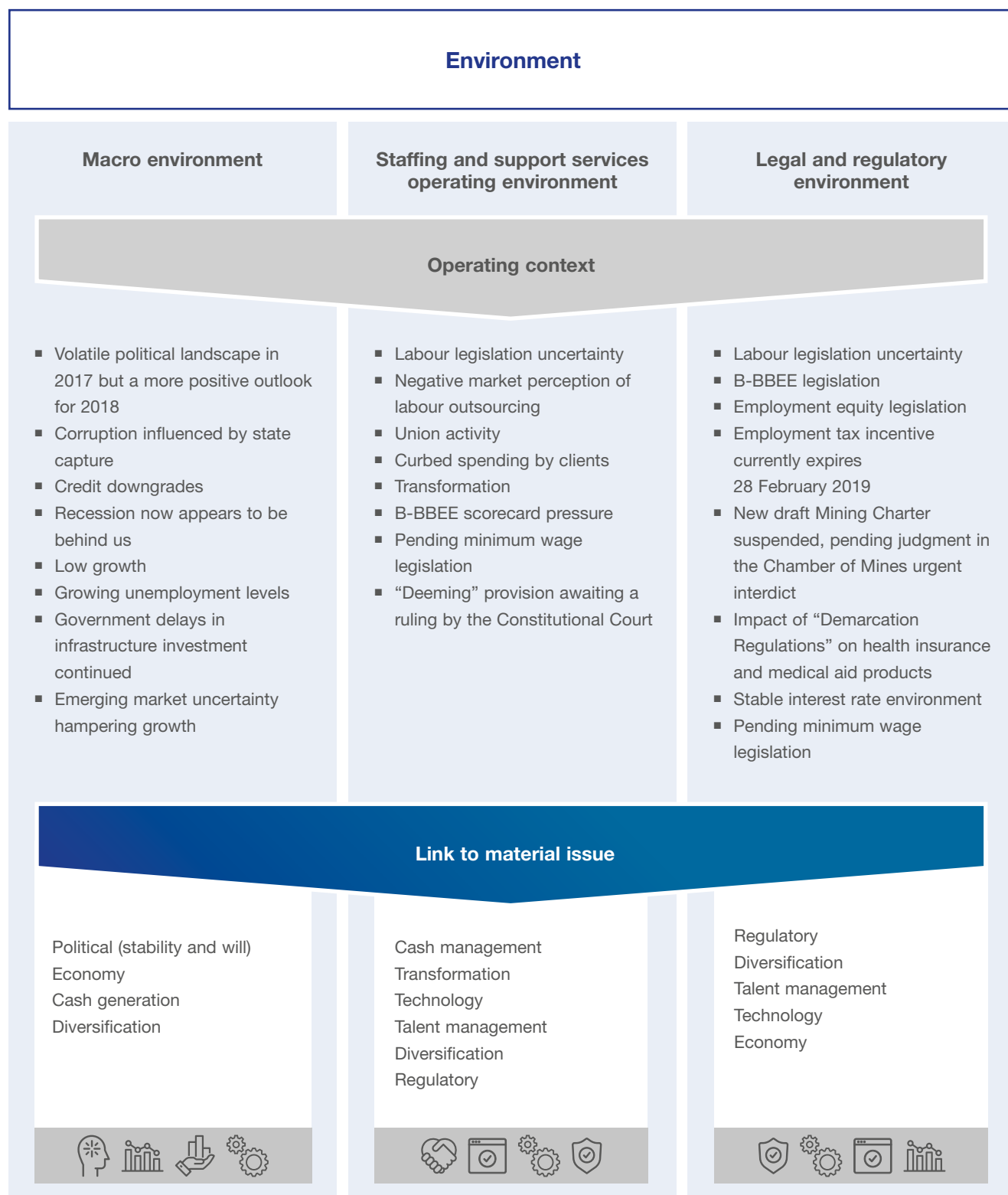
Impact on our stakeholders

- Return on investment for shareholders and providers of capital.
- Client satisfaction which in turn creates demand for our products and services, improves our sustainability and strengthens our brand and reputation.
- Payment of taxes, thereby contributing to the country's economic and social well-being.
- Enabling entry into the job market.
- Distribution of wealth, skills and experience to our employees which in turn flows through to dependent structures, such as their families and their communities.
- Making health, wellness, financial services and lifestyle benefits accessible to individuals thereby enhancing their lives.
- Empowerment of unemployed and youth through skills training thereby improving their employability.
- Empowerment of our supply chain.

■ Delays in infrastructure development ■ Growing unemployment ■ Transformation/B-BBEE ■ Corruption ■ Labour law uncertainty

## Our operating context

The environment in which we operate has direct implications on our ability to create value in the short, medium or long term and informs our strategy development and evaluation of our strategic focus areas. By considering our operating context, we are better able to determine our material issues and how best to respond to them.










## Our material issues, risks and opportunities

### Our material issues

We define materiality as issues or occurrences that have a significant financial, economic and social impact on the prospects and sustainability of the group. Our insights are gained from a number of sources, including but not limited to our internal and external operating environment, risk management processes and through inclusive stakeholder engagement.

Our material issues have the potential to affect – both positively or negatively – on the delivery of our strategy and our ability to create value in the short, medium and long term. We manage material issues through a structured process that involves identifying relevant issues, evaluating their importance and prioritising them, responding to them by putting in place appropriate management interventions and reporting on them.

The order in which the material issues have been placed in the below table do not necessarily indicate rankings or relative importance.

Material issue	Why is it material	Related risk and opportunity
 <b>Economy</b>	Low growth and recessionary environment affects business confidence, creates unemployment, increases competition and negatively impacts customer spending.	Negative impact on growth of business and sustainability. Fewer job opportunities created. Reputation management, brand positioning, innovative and relevant product and service solutions.
 <b>Political stability and will</b>	Volatile political landscape negatively affects investor and business confidence.	Negative impact on growth and sustainability of the business.
 <b>Diversification</b>	Diversified product and geographic growth is essential for diversification of income and risk and a key factor of the group's long-term sustainability plan.	Negative impact on the growth and sustainability of the business.
 <b>Cash generation</b>	Risk of insufficient funding and reliance on government incentives to fund the business.	Diversification of revenue streams and product offerings. Acquisitions of cash generative businesses.
 <b>Technology</b>	Reliance on ineffective and outdated technology has a negative effect on business efficiency, competitiveness and differentiation, and for risk management. Promotes financial control and reporting effectiveness.	Negative impact on the competitiveness, growth and sustainability of the business. Exposes the company to the threat of fraud and corruption.
 <b>Transformation</b>	Promotes company values and creates a positive, supportive and diversity friendly working environment; enhances our reputation and social licence to operate; enhances our sustainability.	Negative impact on growth of business and sustainability. Inability to contribute meaningfully to the transformation agenda in South Africa.
 <b>Legal and regulatory</b>	Labour legislation in particular affects our core business and compliance is essential to protect the future of the company. Our clients rely on us to have systems and processes that are in alignment with all legislation.	Failure to adapt business could result in non-compliance and have a negative impact on the growth of the business and our future sustainability.
 <b>ROI</b>	Relevance of growth strategy adopted not delivering anticipated shareholder value.	Continuously monitor markets in which we operate; proactively re-assess our strategies; ensure business flexibility allows for cost effective re-alignment. Increase stakeholder engagement.
 <b>Talent management</b>	Human capital is a core building block for value creation and a key driver of our long-term success. We aim to position Workforce as an employer of choice and create a high-performance culture through the investment and development of the human capital that flows through our business.	Inability to attract, motivate and retain key staff. Potential to lose intellectual capital in particular leadership skills. Inability to execute and deliver on business strategy. Opportunity to create a purpose driven – high performance working environment.

## Material issues, risks and opportunities (continued)

### Managing our risks and opportunities

The group adopted a combined risk assurance model during the financial year, which provides an assurance map indicating who assures what risk and to whom this assurance is reported. This assurance map has been approved by the risk and audit committee.

The assurance map is used as a tool to assess and improve the workings of the “lines of defence” applicable to each risk. These “four lines of defence” includes, (a) people, systems and controls; (b) risk management and compliance function; (c) internal audit function; and (d) independent external assurance.

Whilst this approach is still in its infancy, it has already resulted in a better understanding and control of our risks, and provided management with a tool to address the group’s significant risks as part of this “top-down” approach.

The group also formalised its enterprise risk management process during the year, which, in the form of a “bottom-up” approach, inculcates a risk awareness and risk management process throughout the group. Each business unit is required to complete a detailed risk register. This process is managed by the internal audit department where significant risks are identified and brought under the attention of senior management. During the financial year all business units participated in this process.

Significant risks identified in the course of concluding the above processes, together with significant risks identified by senior management were then compiled in the group risk register, which is monitored by the internal risk and audit committee on a regular basis.

Our risk table reflects our key risk summaries, in no particular order.

### Risk

**Cash management and credit risk**

**Technology**

**Regulatory**

**Political**

**Economic**

**Capital and funding**

**Financial**

**Transformation**

**Acquisitions**



## Risk impact on business

Inability of clients to meet their payment obligations timeously or at all. Inability to sustain and grow the business.

Relevance of our IT infrastructure and systems on our business model directly impacts on our ability to deliver and support our client base and our own businesses including the impact of technology on the world of work.

Introduction of minimum wage legislation could possibly influence the sustainability of some marginal businesses, ie in the manufacturing sector. Outstanding judgment in the “Assign Services” case in the Constitutional Court regarding the “deeming provision” could result in “client panic” and the potential for unintended consequences.

Volatile political landscape negatively affects investor and business confidence. Ongoing tension between unions, political parties and business regarding temporary employment services and outsourcing could result in labour unrest.

Low growth and recessionary environment affects business confidence, creates unemployment, increases competition and negatively impacts customer spending.

Inability to raise adequate debt or equity capital to sustain and grow existing business.

Short-term nature of debt facilities.

The group relies on significant government incentives that would impact its profitability if withdrawn.

Inability to contribute meaningfully to the transformation agenda in South Africa; poor B-BBEE rating can result in a negative impact on the sustainability and growth of our business.

Failure to integrate and realise full value from acquisitions.

## Mitigation and control strategy

Manage profitable cash generative businesses; reduce capital costs; reduce debtors' days outstanding; improve credit control and cash management; ensure healthy debt-to-equity ratio; maintain sustainable funder relationships.

Appointment of senior Group IT executive in January 2017; IT steering committee strategy; investment commitment and funding to support strategy.

Internal specialised team of labour, legal and industrial relations experts to provide guidance on the interpretation and application of regulatory requirements to our business and clients.

Representation on CAPES and other relevant industry bodies to ensure appropriate and timeous engagement, education and communication of all regulatory matters.

Stakeholder engagement; continue to deliver compliant staff outsourcing solutions augmented by additional employee benefits; continue active membership and involvement in various industry forums. Improve communication and education on the value of the TES industry. The importance and scale of the TES industry as the largest creator of jobs in South Africa.

Temporary employment services are defensive in nature in that clients are more likely to use temporary employment services in challenging times.

Continue to drive growth within our other diversified businesses.

Diversify our funding sources between equity and debt capital including an appropriate weighting between long and short-term funding.

Driving organic and acquisitive growth to become less reliant on government incentives.

Transformation committee and sub-committees with senior management representation; strategy aligned to revised B-BBEE codes; clearly defined goals linked to key performance areas of Managers.

Acquisitions are considered against Workforce's defined acquisition criteria. A dedicated acquisition executive coupled with detailed due diligence processes and appropriate committee and board approvals to limit downside risk.

Cross-discipline task teams to facilitate integration and cross-selling opportunities.

## Strategic focus areas

In our pursuit to become a global provider of innovative, integrated and diversified people solutions, we remain focused on efficient and sustainable growth, a financial balance of risk, reward and stability, whilst also striving to become an employer of choice, a service provider of choice and ultimately a more attractive investment proposition to investors.

Our diversification strategy remains our core strategic focus and is ever more relevant during the current market environment. Much emphasis has been placed on extending our capability to operate across a broad range of industry sectors and territories and striving to ensure that our diverse business portfolio is managed off a profitable and cash-generative basis to enable sustainable growth. By accomplishing this, we create value for the organisation and our stakeholders and in turn achieve a host of additional benefits such as increased levels of employment and meaningful socio-economic contributions.

We have seven strategic focus areas that we drive at a group level. Our long-term success depends on our ability to use our resources to execute the group's strategy and achieve our objectives for each strategic focus area thereby creating value for our stakeholders. Our strategic performance during 2017 and our goals for the next reporting period are outlined below.



### Priority: Organic growth

#### Focus areas

▶ <b>Protect and grow existing business</b>	▶ <b>Cash generation</b>
▶ <b>Cost management</b>	▶ <b>Operational efficiencies</b>
	▶ <b>Triple C strategies</b>

#### Objectives

Introduce existing clients to new services and solutions.  
 Obtain a greater share of our assignees' discretionary spend.  
 Create new positions within adjacent and new market segments.

Encouragement and incentivisation of improved communication, collaboration and cross-selling among business units within the group. Develop the most appropriate organisational structure and reporting lines. Improving working capital management to optimise cash generation. Diversification of income streams outside of the staffing and recruitment segment.

#### 2017 performance

- Improved cash generation and performance of debtor's book
- Triple C strategy generated R47,2 million in annual turnover and R11,6 million in GP
- Improved our organisation structure and strengthened our management and financial teams
- Grown our employee wellness programmes
- Organic operating expenses increased by only 2,9% (including bad debt) and 8,8% excluding bad debt. This has been achieved whilst we still investing in the future growth of the business and improved shared services investments
- Increased our presence in the placement and training of people with disabilities
- Increased brand presence and marketing activity
- Realignment of under-performing businesses
- Allocation of shared service costs to businesses to increase service delivery and measure performance more accurately

#### 2018/9 goals

- Increase our penetration in short course training and artisanal training
- Improve our diversification into the outsourcing business
- Diversify into hospitality segment for staffing and training
- Consolidation and creation of a Recruitment Hub
- Reduce operating costs as a percentage of turnover
- ISO accreditations



## Priority: Geographic diversification

### Focus areas

- ▶ **Realisation of operational capability across all aspects of human resources management into new geographic markets**

### Objectives

We aim to extend and leverage our operational skill set and know-how in the segments we operate in, into new territories, on a low risk basis.

#### 2017 performance

- Namibia and Botswana operating as branches of Workforce Staffing
- Opened office in Maputo (in addition to Tete in Mozambique)
- Revenue generating clients in Mauritius obtained
- Opportunities in other African countries being explored

#### 2018/9 goals

- Grow revenue and profit base from existing African territories
- Follow our local clients offshore
- Deepen African presence in countries with stable political and economic conditions, labour; regulations, incentives and funding opportunities
- Partner with local recruitment companies and export SA skills into Africa
- International markets



## Priority: Acquisitive growth

### Focus areas

- ▶ **Accretive acquisitions complement existing business**

- ▶ **Diversification and entry into new markets**

### Objectives

Identify and target quality businesses that are underpinned by strong management teams that share Workforce's entrepreneurial culture and value systems. We also seek acquisitions that can leverage off our skill set with the potential to be further enhanced and that can benefit from or contribute to Workforce's expertise and technology capabilities. International acquisitions to diversify earnings and risk exposure are also objectives. Diversification of income streams outside of the staffing and recruitment segment.

#### 2017 performance

Acquired:

- KBC Holdings Proprietary Limited in January 2017
- Oxyon Human Capital Solutions in February 2017
- Day-Click Limited (Mauritius) in March 2017
- Pipeline of opportunities across staffing and training segments

#### 2018/9 goals

- Acquire larger businesses that "can move the needle"
- Increase our presence in the training segment
- Acquiring international businesses or local companies with an international presence to diversify our earnings and risk exposure

## Strategic focus areas (continued)



### Priority: Access to capital

#### Focus areas

▶ <b>Debt capital markets</b>	▶ <b>Equity capital</b>	▶ <b>Government funding and incentives</b>
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#### Objectives

We need to ensure that we are operating with the optimal capital structure, appropriately weighted between debt and equity and short and long-term funding. Long-term debt vehicle to be established and diversification of shareholders and liquidity in equity shares on the JSE. Improve communication and public relations with providers of capital.

#### 2017 performance

- Domestic Medium-Term Note Programme approved by JSE
- Increased facility from ABSA to R350 million and improved terms and duration of facility
- Improved communication and engagement with investors and prospective investors
- Improved volume of shares traded

#### 2018/9 goals

- Improve current debt facility in Babereki
- Improve access to government funding and incentives
- Improve diversification of shareholders and liquidity in the AltX with a view to move to the main board
- Consider medium-term debt finance – corporate bonds or mezzanine finance



### Priority: Investment in information and technology

#### Focus areas

▶ <b>Human resource talent</b>	▶ <b>Network security</b>
▶ <b>Information technology (“IT”) systems and infrastructure</b>	▶ <b>Innovation</b>

#### Objectives

We need to ensure IT is an enabler for all our businesses. Invest in our existing and new IT infrastructure, network security and new initiatives to remain relevant. Talent attraction and management is key. We need to understand the future of work and the workforces of the future.

#### 2017 performance

- Senior Group IT executive appointed in January 2017
- Four pillars of IT – development, project management, enterprise architecture and Infrastructure and networking
- Improved network security
- Increased communication and collaboration between IT and business
- Use of new channels for communicating with clients in financial services
- Automation of client on-boarding in financial services

#### 2018/9 goals

- Electronic delivery of payslips and invoicing
- Digitalisation of processes
- Data warehouse project
- On-boarding of contractor electronically
- E-learning platform
- Increased understanding of proprietary code of in-house technology and reduced reliance on key IT developers



## Priority: Human capital

### Focus areas

▶ Create a culture of excellence		▶ Employee wellness programme
▶ Reinforce company purpose and values	Career development	▶ Improve communications

### Objectives

To be an employer of choice

To create an environment of purpose

Attract, retain and invest in talent

Motivate, engage and develop our employees to support innovation and engender leadership to create a culture of excellence

Cultivate a happier, healthier, more productive and motivated workforce

### 2017 performance

- Defined our mission, vision and values
- Chief Executive Officer intervention in staff induction programme
- Chief Executive Officer's semi-annual leadership and management conference
- Launched #WorkforceWellness incorporating free emotional support, fitness classes and physical onsite healthcare clinic for staff
- Alignment of annual increases to July each year

### 2018/9 goals

- Junior leadership programme
- Improved performance appraisals and personal development plan
- Mentorship programmes
- Talent management-strategy to identify and mentor black talent
- Updated leave policies



## Priority: Transformation

### Focus areas

▶ <b>Increase training, communication and education on transformation, employment equity and B-BBEE codes of good practice</b>
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### Objectives

Transformation is of paramount importance to us and all our stakeholders and is a key priority. Black talent and opportunities to grow and develop.

### 2017 performance

- Appointment of Employment Equity Manager in March 2017
- Established employment equity committees for subsidiaries
- Re-constitution of transformation committee; corporate social investment committee; and skills development and employment equity committee
- Achieved 51% black ownership and 34% black woman ownership
- Achieved Level 4 rating on new amended codes
- Achieved Level 2 ratings for Fempower, Workforce Healthcare, Teleresources, Essential Employee Benefits, Prisma Training Solutions

### 2018/9 goals

- Improve on employment equity targets specifically at senior levels
- Increased training spend
- Achieve a minimum Level 3 B-BBEE group rating
- More companies in group to have their own independent rating

# Our performance

# 2

## Executive leadership review



**Ronny Katz**  
Executive Chairman



**Philip Froom**  
Chief Executive Officer



**Willie van Wyk**  
Financial Director

### Background

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

Workforce is committed to facilitating employment by enabling a flexible workforce for corporates while simultaneously ensuring protection of workers' rights in terms of fair remuneration, pay parity, employee benefits and opportunities for growth and development.

Our purpose is to make a meaningful and sustainable difference to people's lives – to uplift them, to find employment for people and empower them with appropriate training, healthcare, financial services and lifestyle benefits. These are key objectives and goals of our South African government too.



## The year under review and external operating environment

2017 was a year characterised by a volatile political environment, low economic growth and investment and a continued deterioration in unemployment levels. Notwithstanding the tough trading environment, the group's results continued to show improvement, albeit modest, on previous years and again highlighted the resilience of our diversified business model.

During the reporting period, there was a marked deterioration of the socio-political and economic environment in the country. South Africa officially entered into a recession in the first quarter of 2017, for the first time in 14 years; business confidence deteriorated further following the added negative impact of ratings agency downgrades of the country to junk status; and Statistics SA reported the country's official unemployment at 27,6% – and substantially higher among the country's youth.

Government's promised infrastructure development plan continued to be subject to indefinite delays, resulting in less demand for our services. We are hopeful, however, that 2018 will experience the early stages of project development in this regard.

Another significant external factor affecting our staffing and outsourcing segment, is the ongoing legal labour legislation dispute, which currently awaits a ruling by the Constitutional Court, following the Labour Appeal Court's ruling in July 2017. This relates to section 198A of the Labour Relations Amendment Act, 6 of 2014, and interpretation of the "deeming provision" and the definition of who the "employer" is in the employment relationship of an assignee. An assignee, in this instance, is only someone working longer than three months and earning less

than R205 433 annually. We remain confident together with our Temporary Employment Services ("TES") industry body, the Confederation of Associations in the Private Employment Sector ("CAPES"), that the initial ruling in the Labour Court will be upheld and that assignees will continue to be deemed to be an employee of both Workforce and our clients. There always naturally remains the risk of clients initially adopting a "wait and see approach" prior to investing further in assignees with TES providers despite our engagement and ongoing communication with clients. Regardless of initial reactions, we are confident that the TES industry will be sustained. We have various robust solutions to continue to provide our clients with our services regardless of the ruling of the Constitutional Court.

Recent independent research reports have found that the TES industry has created more jobs in the South African economy than any other industry since 1995. Any legislation that curbs the TES industry would fuel employment losses and result in rising household poverty.

Furthermore, the TES industry employs far more youth than any other industry of the economy. This is crucial as over 50% of the current youth in South Africa is unemployed.

We are pleased that the group's business continued to make a meaningful and sustainable difference in people's lives. We are proud to report that we are providing permanent employment to 1 343 employees, remunerating 34 241 assignees weekly, training 137 000 people annually, facilitating 4 600 learnership and internship programmes, insuring over 36 277 lifestyle benefit policies and conducting over 71 396 medical examinations through our 26 operating brands, network of 103 branches and 18 training centres across South Africa.

### Financial performance

The financial performance of Workforce Holdings during the year under review was modest and included the following key indicators:

Revenue increased by 11,3% to R2,8 billion

Gross profit has increased by 6,1% to R635 million

EBITDA has decreased by 0,4% to R133,9 million

Profit after tax increased by 7,6% to R98,5 million

Headline earnings per share increased by 7,0% to 42,8 cents

NAV per share has increased by 21,5% to 237 cents per share

Net tangible asset value per share has increased by 18,7% to 159 cents per share

Net interest-bearing debt to total assets is 28% (2016: 27%)

Net interest-bearing debt to total tangible assets is 34% (2016: 32%)

## Executive leadership review (continued)

Our 11,3% increase in revenue arose from organic revenue growth of 4,6% with the remaining growth in revenue attributable to acquisitions. Our gross profit, however, only increased by 6,1% as gross margins reduced from 23,7% to 22,6%. The reduction in gross margins arose as a result of a reduction in the relatively high margin energy infrastructure sector coupled with the acquisition of Oxyon, a high turnover, low margin business.

Operating expenses increased by 11,1% resulting in an unchanged operating expense to turnover ratio of 18,3% (2016: 18,3%). Organic operating expenses only increased by 2,9%. Debtors' impairments were, however, at much improved levels compared to the comparative period. Excluding debtor's impairments, organic operating expenses increased by 8,8% compared to the comparative period. Our management of operating expenses in the period under review was commendable given that Workforce continues 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 decreased marginally to R133,9 million. EBITDA to turnover reduced to 4,8% (2016: 5,3%).

The depreciation and amortisation charge increased by 49% to R26,1 million (2016: R17,5 million) mostly due to amortisation of intangible assets as a result of the KBC and Oxyon acquisitions.

Net finance cost marginally decreased 15,2% to R21,8 million (2016: R25,8 million), in spite of R43,1 million spent on acquisitions during the financial year.

### Taxation

The group continued to benefit from the employment tax incentive programme as well as from learnership allowances in terms of section 12H of the Income Tax Act, 1962 (Act 58 of 1962). The employment tax incentive remains a significant contributor to our financial results. This programme, which incentivises the employment of youth for new projects, was extended until February 2019. The group also continues to invest and benefit from learnership programmes, with the learnership tax allowances been extended until 1 April 2022. The increased tax credit for the year of R10,8 million (2016: R735 000) is due to the fact that the gain on adjustment of liabilities is a capital item and hence not taxable.

### Cash flow

Cash flow from operating activities reduced to R16,0 million (2016: R69,2 million), mostly as a result of a substantial increase in working capital. This increase is also attributable to:

- Increased turnover
- A longer billing cycle in December compared to the previous financial year
- The fact that the Oxyon business was bought excluding tangible assets, hence the build in the debtor's book is defined as operating cash flow and not investment cash flow
- Deterioration in days sales outstanding to 53 days (2016: 46 days) due to 46 days due to the above.

Furthermore, the R10,4 million fair value adjustments is a non-cash flow item impacting cash conversion. Improving cash generation is a key focus of management.

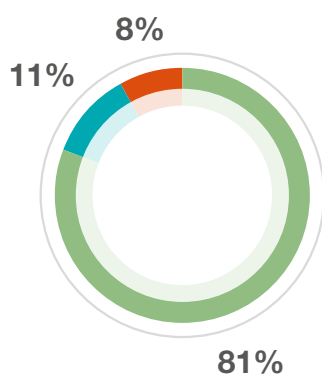
### Balance sheet and gearing

Net interest-bearing debt to total assets increased to 28% (2016: 27%), in spite of net cash flow on acquisition of business combinations totalling R43,1 million. Net interest-bearing debt to total tangible assets also improved marginally 34% (2016: 32%).

### Group structure

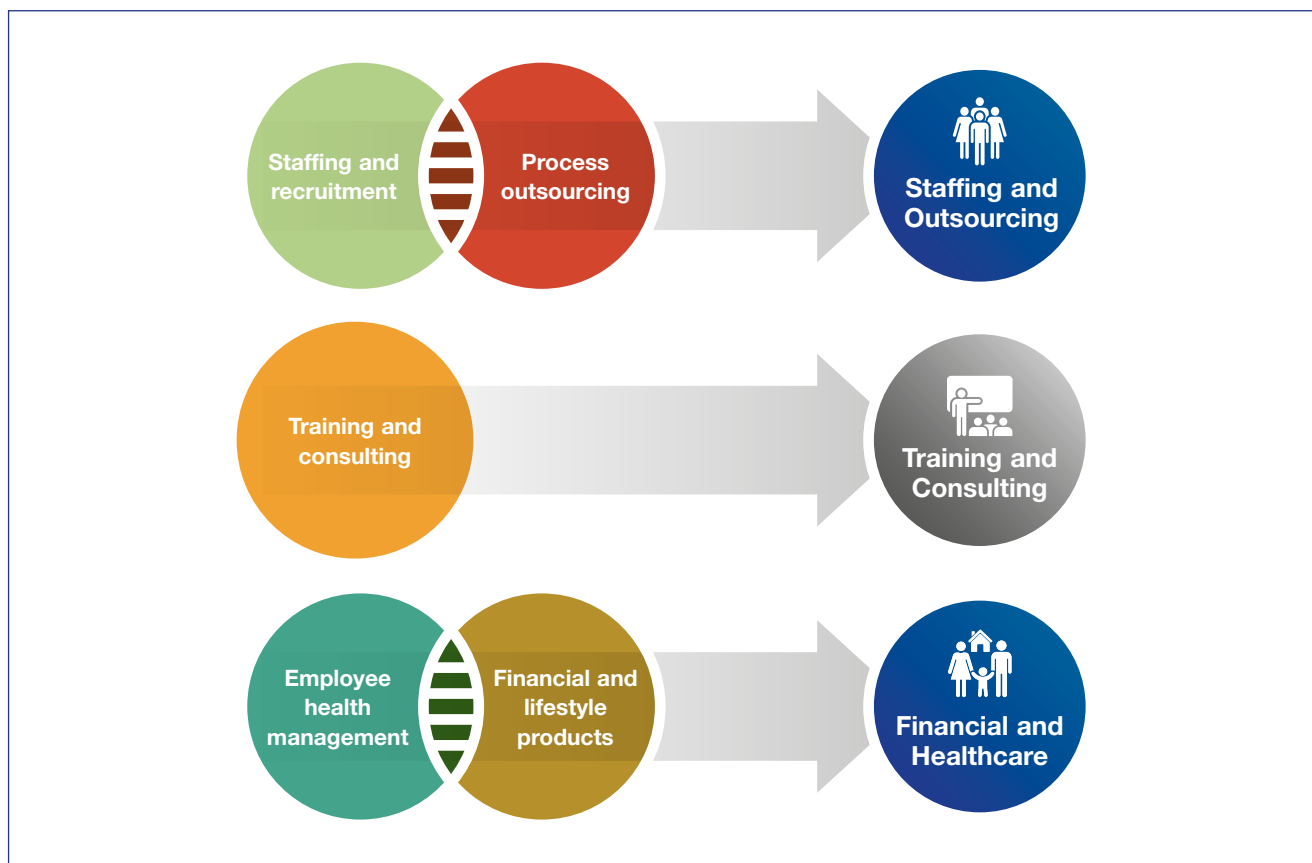
During the reporting period, we consolidated our previous five reporting segments into three segments which we believe better represent the current core trading of the group and allows for a simpler understanding and communication of the performance of the business. The new segmental structure is reflected on the next page.

#### Segmental performance: EBITDA



■ Staffing and Outsourcing    ■ Training and Consulting    ■ Financial and Healthcare

The staffing and outsourcing segment accounts for 81% of EBITDA prior to central costs (2016: 82%). The acquisitions of Prisma Training Solutions Proprietary Limited (“Prisma”) in 2015 and KBC Holdings Proprietary Limited (“KBC”) in 2017 have contributed to our diversification strategy with the training and consulting segment now accounting for 11% of total EBITDA (2016: 10,2%). The financial and healthcare segment contributed 8% to EBITDA (2016: 7,8%).



*Note: Workforce Healthcare is now included with the financial cluster as opposed to the training cluster as was initially presented in the June 2017 interim results.*

Our internal “Triple C” strategy of Communication, Collaboration and Cross Selling was launched a year ago and it was pleasing to see the impressive progress the group has made across companies and segments in this regard.

## Segments and operational review

### Staffing and outsourcing segment

Turnover of the staffing and outsourcing segment increased by 9,5% but the gross margin percentage decreased from 20,3% to 18,5% for the period under review. This reduction in margin is as a result of the conclusion of a significant high margin infrastructure contract in 2017, the acquisition of Oxyon, a high turnover, low margin business which diminished the gross profit margins of this segment and the poor performance of our white collar permanent recruitment businesses.

This segment reported a 4,7% EBITDA decline and a 5% PBT decline compared to the comparable prior period.

Our core business, Workforce Staffing, improved EBITDA despite the conclusion of one of its major infrastructure project contracts described above. Workforce Staffing has an encouraging pipeline of new business that hopefully augurs well for 2018.

The continued delay in government infrastructure spending resulted in a disappointing performance from the Quyn group of companies (“Quyn”) acquired in 2016. Government’s renewed investment on its delayed infrastructure development projects and the entry of independent power producers (“IPPs”) in the electricity sector, however, present exciting opportunities for Quyn moving forward.

## Executive leadership review (continued)

Our Allmed Healthcare Professionals and Nursing Emergencies brands in the nursing and healthcare staffing sector experienced solid growth in 2018 with increasing market share and new clients.

Our white collar permanent recruitment businesses struggled in 2017 with permanent recruitment income down due to a lack of committed spend and cost control policies adopted by corporates. We are in the process of combining the back office recruiters of our smaller recruitment businesses into a “recruitment hub” that should result in an incubator of better quality recruiters, better service and reduced costs.

We continued to invest in our new “green shoot” businesses locally and in Africa. Although these businesses are still loss making, lots of progress and momentum is being achieved resulting in improved financial performance and promising progress into 2018. Our Africa expansion has been slow and conservative and we are now represented in Namibia, Botswana, Mozambique and Mauritius. Other opportunities into Africa are also being considered.

The TES industry remains fragmented and consolidation opportunities still exist in the form of acquisitions.

### Training and consulting segment

The training and consulting segment increased revenues by 78,8% to R158 million and EBITDA by 2,9% to R23,5 million for the reporting period.

The substantial increase in turnover in this segment is attributable to KBC acquired in January 2017. KBC also contributed significantly to this segment's EBITDA earnings, ahead of our acquisition expectations. KBC is a training business providing contractor induction training and health, safety and environmental training as well as contractor on-boarding and management services. KBC trains over 120 000 inductees annually through eight training facilities in the country, including two “walk-in” centres based on client sites and one fully inclusive onsite contractor on-boarding hub.

EBITDA was constrained in 2017 in this segment as Prisma Training Solutions, acquired in 2015, experienced a poor year with a lack of committed spend and investment by the mining sector resulting in a decline of their earnings base. Prisma are specialised and niche training providers in the mining industry. Encouragingly mining industry sentiment has picked up again in early 2018 and we expect an improved performance into the 2018 fiscal year.

Training Force performed well with pleasing growth experienced in 2017. In addition to being a leader in the learnerships and apprenticeships area, Training Force are also growing their training reach with a variety of focused skills programmes and short courses. We are proud of the increasing role we play in the

upskilling of people and provided more than 4 600 learnerships and internship programmes in 2017 alone. Many of these learners are youth who were previously unemployed.

Our training and consulting cluster is a strategic growth area for the group. We have invested in additional resources during the year, including a financial executive for this segment and a new managing director (MD) of Training Force, promoting our previous managing director to that of training and consulting cluster executive. We are gearing up our training and consulting cluster to have a greater focus on technical training and on creating a dominant artisanal training brand. South Africa experiences widespread skills shortages. Artisanal skills are in demand and are easily exportable into Africa and around the world.

We are excited by the growth prospects of this segment and are focused on growing our training and consulting cluster organically further to be a significant contributor to our group's EBITDA. We will also continue to search for suitable acquisitions in this area.

### Financial and healthcare segment

The financial and healthcare segment turnover decreased by 4,5% to R127 million with EBITDA increasing by 4,7% to R17,8 million.

This segment comprises Babereki Employee Support Services (incorporating Dreams Direct and Debtworx), Essential Employee Benefits and Workforce Healthcare.

Babereki tightened its credit vetting criteria during 2017 resulting in less loans advanced and less products sold. This resulted in lower growth in profitability in this segment and improved cash utilisation.

The current economic climate continues to weigh on consumers and has had an adverse effect on their disposable income. According to market research around 90% of non-authenticated early debit order (“NAEDO”) disputes relate to cash flow management challenges by consumers struggling to meet their financial obligations. Despite this, however, there has been a reduction in the relative number of NAEDO disputes within our own collections environment.

Compliance remains a key focus of our Babereki and Debtworx businesses. Our control environment is constantly improving, with enhanced vetting and collection procedures aided by a greater use of innovative technology processes.

The uncertainty from the legal cases involving S58 emolument attachment orders affecting both the microfinance and debt collection industry continues unabated, causing less than expected gains being made around legal collections. Although some cases were successfully defended, these have now

gone back for appeal. This unfortunately creates uncertainty in the industry.

Despite the market challenges, collection performance improved in 2017. The gross advances book was R251 million (2016: R225 million). Provisions were R62,5 million (2016: R53,4 million), representing 24,9% (2016: 23,7%) of the gross book.

Workforce Healthcare offers a comprehensive range of on-site and off-site primary and occupational healthcare services as well as employee wellness programmes. Workforce Healthcare is 50% owned by The Workforce Group Proprietary Limited with the remaining 50% held by its founder and managing director, Dr Richard Malkin.

During 2017, we invested in people and necessary infrastructure that, although initially curtailing the businesses performance in 2017, will hopefully result in setting this business on a path for future growth.

Companies are recognising the positive impact employee wellness has on a business from reducing absenteeism to improved levels of productivity and quality of life. We experienced encouraging growth in our employee wellness programmes and now cover over 45 320 lives through our Employee Assistance Programme ("EAP") call centre and additional value-added products are being offered via this channel.

The amended labour and employment equity legislation requires employers to provide fixed term contractors with benefits that are equitable with permanent employees. Our Essential Employee Benefits ("EEB") business offers a range of funeral insurance, accidental death insurance and day-to-day medical and hospital cover products to the market. Although a fairly new business within the group, EEB is now profitable and growing.

### Information and technology

Investment in information technology is one of our strategic priorities for the group. We have made solid progress in improving the group's information technology ("IT") efficiencies, communication and security and several network infrastructure projects have been concluded or are in progress. We appointed

a group IT executive in January 2017 and restructured the group's IT operating structure into four focus areas, namely development; network and infrastructure; project management; and application architecture. This structure is a key building block for IT to become an enabler for all our operating subsidiaries and to improve communication and collaboration between business and IT.

Technology is fundamentally changing the way we live, work and communicate with each other. New innovations are quickly disrupting the human resources ("HR") services marketing. Artificial intelligence and robotics are increasingly taking over jobs that used to be performed by people. While some jobs will disappear, new ones will be created. The impact of technology on the world of work will inevitably be huge, changing the nature of work and requiring new and constantly evolving skill sets on the part of workers.

We embrace the opportunities offered by technology and although we have a long way to go, we are investing in digital and data transformation. We believe in combining these technologies with traditional added value of genuine human interaction with candidates and clients.

### Human capital

We have made much progress towards our vision of creating a culture of excellence within Workforce and being regarded as an employer of choice. Talent retention and attraction is key.

Many human capital initiatives, including our innovative #WorkforceWellness programme, incorporating physical fitness, employee healthcare and emotional wellness, was successfully launched during 2017. We firmly believe that a business that understands its purpose instils within it a high-performance culture.

### Transformation

Transformation continues to be of paramount importance to us and all our stakeholders and is a key priority. Employment equity ("EE") remains an area in which the group can improve its performance with emphasis on better representation of designation groups at top, senior and middle management occupational levels.

► We have made much progress towards our vision of creating a culture of excellence within Workforce and becoming regarded as an employer of choice.

## Executive leadership review (continued)

During 2017, we implemented a formalised EE policy, strategy and implementation plan. The establishment of employment equity committees for every subsidiary in the group and the identification and analysis of EE barriers received priority attention during the reporting period. The approval and implementation of a revised group recruitment policy will also contribute to a reduction in the number of recruitment deviations recorded during 2017 that negatively affected achievement of our EE targets.

A key measure of transformation is reflected in the achievement of B-BBEE targets and the group's efforts to integrate transformation into all its business processes continues to receive senior executive attention. The group achieved a Level 4 B-BBEE recognition rating on the revised codes of good practice during the reporting period. Individual subsidiary scorecard element performance is outlined on page 36 of this report.

### Acquisitions

During the period under review, we announced the acquisition of 100% of the shares of KBC Holdings Proprietary Limited ("KBC"), the acquisition of the business of Oxyon Human Capital Solutions ("Oxyon") and the acquisition of a 76% stake in Day-Click Limited ("Day-Click").

KBC was acquired with effect from 1 January 2017 and we are pleased to report that it has performed ahead of expectations as described in our training and consulting segment review above.

The Oxyon acquisition was effective 1 February 2017 and has contributed positively to the group's profitability. Oxyon is a temporary employment service provider and permanent recruiter concentrating on higher level technical and artisanal skills in the engineering industry. The Oxyon acquisition resulted in an operating cash flow investment by Workforce to fund the client debtor's book as we purchased the business of Oxyon and not the company itself.

The acquisition of Day-Click, based in Mauritius, was effective 1 March 2017 and is at this stage not material in financial terms. We do, however, see Mauritius as an exciting business opportunity within its own borders as well as it being a possible base to further expand our other African operations as they increase in size and scale.

Our previous acquisitions, comprising Prisma Training Solutions Proprietary Limited ("Prisma"), the Quyn group ("Quyn") and Gcubed Boutique Recruitment ("Gcubed") all faced challenging trading conditions during 2017. Prisma was unable to continue the momentum it had enjoyed in 2016 against the backdrop of

curtailed training spend in the mining sector, caused by the uncertainty and slowdown in the industry, and recorded a decline in its profits. The continued delays in renewable energy and other infrastructure projects also hampered Quyn, whose profitability also fell short of expectations.

In total, the companies acquired during the 2015, 2016 and 2017 financial years contributed R27,5 million (2016: R26,9 million) to EBITDA. However, due to the IFRS charges of imputed interest, intangible impairments, and incremental interest paid on the increased debt to fund the acquisitions, the contribution of the acquired companies to our earnings per share has been minimal.

Given government's renewed outlook on the mining industry as well as its planned spend on infrastructure projects, the outlook for the coming year for both Prisma and Quyn is looking favourable and their respective management teams remain committed to delivering growth in revenue and profitability for 2018.

Whilst we were exposed to numerous other acquisition opportunities in 2017, the propensity to conclude any meaningful deals was stifled by the various socio-political and economic factors that were prevalent in the South African environment. We are confident that our reasons for not completing the various transactions that presented themselves were fundamentally correct and commercially sound under the circumstances and we will always exercise rigorous due diligence and analysis as part of our acquisition process.

Our acquisition strategy is still a key pillar for our growth and we have commenced the 2018 financial year with clearly defined objectives and some exciting acquisition opportunities within our various operational segments. We will continue to pursue acquisitions that will enhance the group and its value offering whilst mitigating business risk.

### Funding

During the year under review, communication with shareholders, the capital markets and all our stakeholders was deliberately enhanced. We successfully increased and improved our terms of our borrowing facilities in 2017 with our existing bankers.

Diversification of our shareholder base and an improvement in the liquidity of our equity shares on the AltX is recognised and constantly being considered.

### Directors

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 TES industry has significant milestone events in the next 12 months, including:

- The Constitutional Court ruling on the “Deeming Provision”;
- The introduction of the National Minimum Wage in May 2018; and
- ETI expiry, pending an extension or replacement, on 28 February 2019.

We are actively engaging with our clients to determine and assist them with any implications and opportunities arising from the introduction of the national minimum wage. From a regulatory point of view, we welcome the introduction of the minimum wage legislation during 2018 and although it may initially create a degree of uncertainty, we believe it will, in the longer term, improve the stability of labour in the country and will provide fairer and more sustainable pay structures.

The State of the Nation address in February 2018 highlighted the understood plight of youth in the job market and we are hopeful that the employment tax incentive, a significant and material component of our group’s results, will be either extended or at least replaced in 2019.

Although we operate in a complex regulatory environment, it is important to note that the TES industry enables just short of 14% of all employment in South Africa. Many of the assignees Workforce place into employment are the “vulnerable”. In other words, the youth, people with disabilities and the unemployed or first-time job seekers.

In addition, we provide accredited training courses and learnership programmes, training thousands of people each year through our 18 training centres nationally. Although we are driven commercially, we are proud of the meaningful societal impact we make.

Workforce is a significant player in the markets in which we operate. We are hopeful that government’s delayed infrastructure development plans will get under way during 2018 thereby resulting in further demand for our group’s services.

Government aims to transform the economy through job creation and increased infrastructure investment. Many initiatives and partnerships between government and business are under way to spur growth. These include the “Yes Initiative” – a three-year programme to create one million youth internships

– being negotiated by government, business and labour and the entry of independent power producers (“IPPs”). The IPPs are private investors who build solar and wind power generation plants and sell the electricity to Eskom. Government plans to continue with the IPPs programme and extend the model to other sectors. The YES Initiative should result in more business for at least our staffing segment and government’s renewed investment on its delayed infrastructure development plans should result in further demand for our group’s services. These all represent significant opportunities for our group.

The world of work is constantly changing. In an increasingly competitive environment, companies need to be flexible and as a result, they tend to focus more on their core activities, increasingly outsourcing human capital management activities.

We continue to also strategically diversify our business. South Africa is experiencing significant skills shortages and our training segment is a key area for both organic and acquisitive growth.

We are positive and are looking forward to the challenges and exciting opportunities that 2018 presents.

## Appreciation

We commend and thank all our divisional directors, management and staff of the group who continued to show commitment, perseverance and determination in a particularly challenging operating environment. A warm thank you is also extended to all our assignees, trainees, learners and interns for their reliable support and commitment. To our customers, who continue to demonstrate faith in our ability to provide the vital component of human capital solutions into their organisations, we thank you for your loyal support.

Finally, we would like to thank our fellow board members for their support and counsel in our business and their valuable input to the strategies of the group, it is much appreciated.



**RS Katz**  
Executive  
Chairman



**PM Froom**  
Chief Executive  
Officer



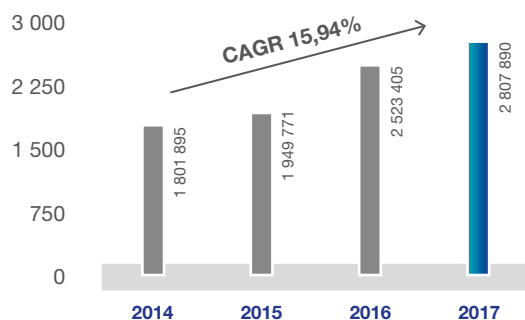
**WP van Wyk**  
Financial  
Director

14 March 2018

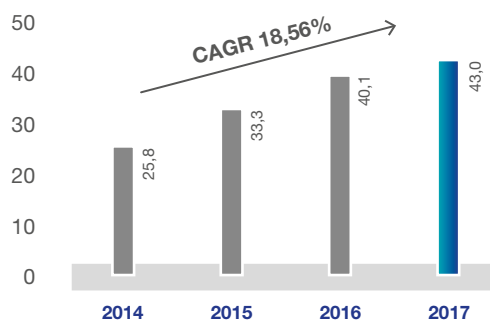
## Performance indicators over time (four-year review)

### Compound annual growth rate (“CAGR”)

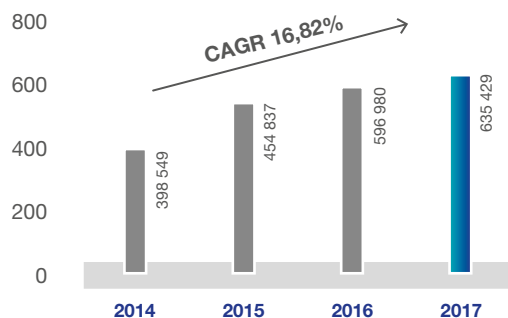
Revenue (R'000)



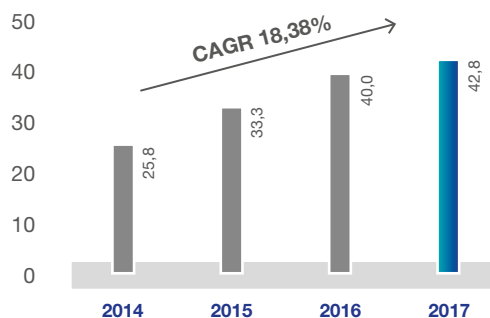
Earnings per share (cents)



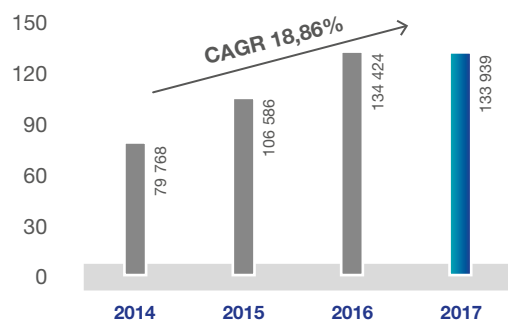
Gross profit (R'000)



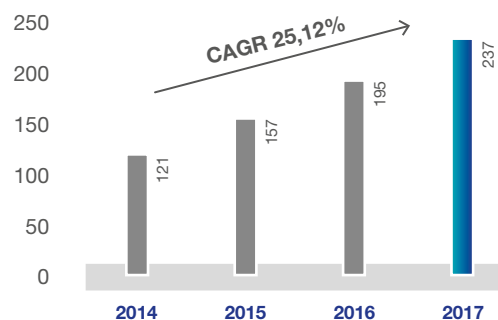
Headline earnings per share (cents)



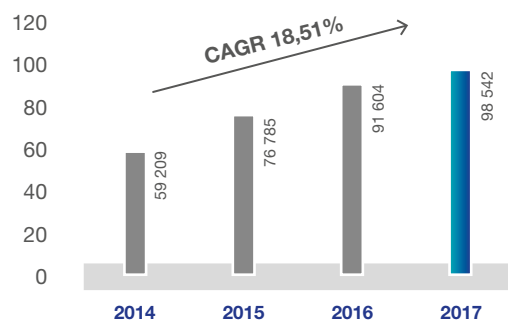
EBITDA (R'000)



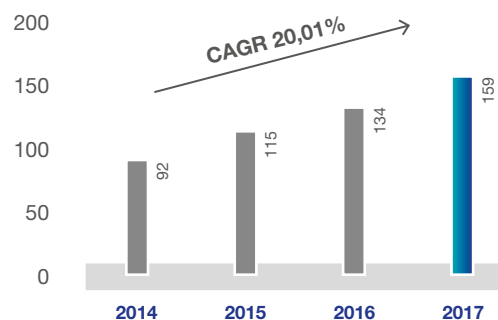
Net asset value per share (cents)



Profit after tax (R'000)



Net tangible asset value per share (cents)



Diversification strategy in progress



## Value creation

### How we create value

We create value through our interactions and relationships with our stakeholders; and within the commercial environment in which we operate and on which we depend, and which in turn is impacted by our business activities. We create value from tangible assets, such as our financial capital, infrastructure, technology, property and natural resources. We also create value from our intangible assets, such as our intellectual and organisational knowledge, relationships, brand reputation, strategies and methodologies. Through our integrated reporting, we aim to share how we connect to and use these tangible and intangible assets to create and preserve the value we create for Workforce and for others.

The information below shows the flow of capital amongst Workforce's different stakeholders and the major economic impacts of the group throughout society. It highlights the group's contribution to the sustainability of the economic systems in which it operates.

### Direct value added by Workforce

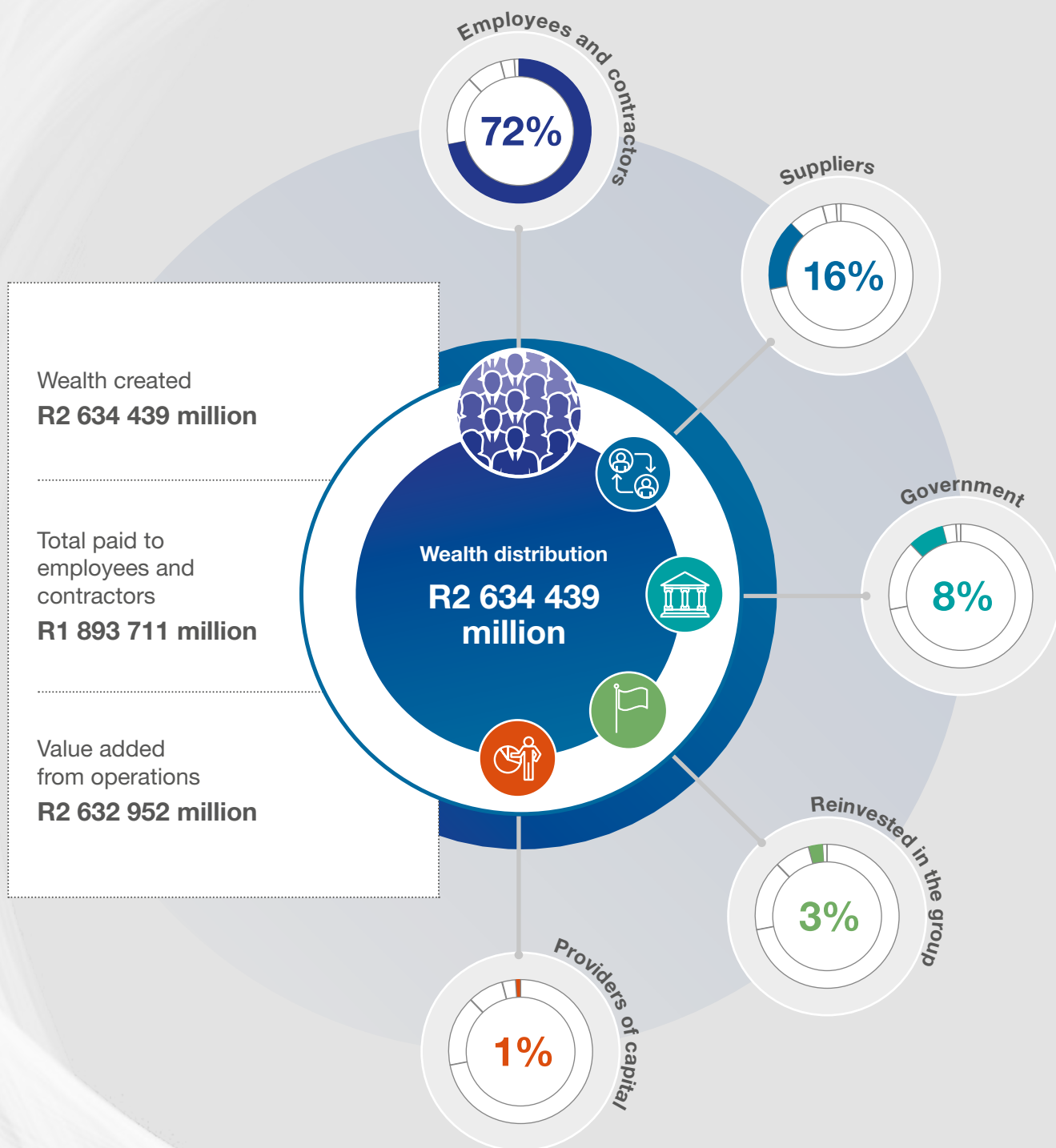
The direct value created by the group through its diverse business operations and activities includes revenue generated by the various entities in its segments, operating costs, employee compensation, and payments to the South African government (in the form of taxes and levies).

The group contributes to the overall growth of the country through:

▶ Investing in skills development and training	▶ Creating job opportunities	▶ B-BBEE
▶ Supporting local, small and medium business enterprises whenever possible	▶ Paying in excess of R594 million in direct and indirect taxes	

### Value-added statement as at 31 December 2017

	2017		2016	
	R'000	%	R'000	%
Revenue	2 807 890		2 523 405	
Other operating income	461		(224)	
Cost of sales and other services	(175 399)		(90 258)	
Value added from operations	2 632 952		2 432 923	
Interest received	1 486		711	
<b>Wealth created</b>	<b>2 634 439</b>		<b>2 433 634</b>	
<b>Distributions during the year</b>				
Employees and contractors	1 893 711	72	1 905 402	78
Suppliers	419 327	16	215 150	9
Providers of capital	30 204	1	29 957	1
Government	201 201	8	191 521	8
– SA normal income tax	(567)		1 444	
– Employee taxes, skills development and other levies	201 768		190 077	
Depreciation and amortisation	26 080		17 476	
Reinvested in the group	89 995	3	91 604	4
<b>Wealth distribution</b>	<b>2 634 439</b>	<b>100</b>	<b>2 433 634</b>	<b>100</b>



## Organisational capital

Highlights	
▶	Contribution from training segment increased to 10,3%
▶	Improved access to capital
▶	Divisional and segmental management restructure to increased depth of management and skills
▶	Integrated digital sales process successfully launched by Babereki
▶	Electronic portfolio of evidence successfully piloted by Training Force
▶	New SACRRA requirement to exchange real-time information successfully complied with by EEB
▶	Internal Triple-C strategy of communication, collaboration and cross-selling resulted in R47,2 million in annual turnover
▶	Technical focus gaining traction
▶	Increased employment of “youth”

### Challenges

- Unlock greater value from each segment
- Information technology development to support and enhance; competitiveness of businesses
- Improved employment equity at subsidiary level
- Black talent development at subsidiary level
- Legal and regulatory compliance admin intensive
- Labour legislation uncertainty
- Decline in recruitment spend
- Labour legislation and the “deeming provision”
- Transformation/B-BBEE

### Looking ahead

- Growth into new territories
- Further investment in information technology to support business needs
- Further integration of acquisitions
- Transformation
- Increase social media presence
- Launch of junior leadership programme
- Electronic payslips

### Workforce’s organisational capital comprises

We have combined intellectual and manufactured capital to create organisational capital which comprises organisational knowledge-based intangibles and manufactured physical objects, including assets created by other organisations, that are available to our organisation for use in the provision of our diverse range of services. At Workforce our organisation capital comprises our extensive national branch network; our diversified businesses; our integrated decentralised business model; training facilities; training courses; proprietary software; licences; copyrights; internally developed bespoke operating systems and procedures; unique client solutions; trademarks; brand equity; products and services; industry knowledge and the extensive intellectual capital of our Managers and Executives.

### How we manage our organisational capital

Our organisational capital is key to our business prospering or failing. The cumulative value of the intellectual capital that Workforce has refined, over a period of four decades, informs

and drives product and service innovation and our evolving business strategies.

Our diversification, product innovation and the development of customer-centric relevant solutions increases customer satisfaction and the demand for our products and services, enhances our brand and reputation, improves business sustainability and allows for the payment of taxes which contributes to the country’s economic and social well-being. This together with our other capitals is harnessed to enable the group to remain relevant and sustainable.

### Our performance during 2017

Much emphasis continued to be placed on endeavouring to ensure that our diverse business portfolio is managed off a profitable and cash generative basis to enable the sustainable growth of our business. By accomplishing this, we have been able to create value for the organisation and our stakeholders and by doing so, achieve a host of additional benefits such as increased levels of employment and meaningful social contributions.



Investment in information technology is one of our strategic priorities and several network infrastructure projects have been concluded or are in progress, including the successful implementation of firewalls, Microsoft Active Directory and a backup data solution. During the reporting period the group's information technology division was restructured into four functional areas, namely enterprise architecture and business intelligence; information systems projects and portfolio; software development; and information communications technology ("ICT") operations, which includes IT support.

During the year, we embarked on an enterprise-wide ISO 9001:2015 certification project to ensure that all our subsidiaries and divisions achieve ISO accreditation. The objectives of this project include standardising the group's operating procedures, improving our competitiveness, augmenting our efforts to win tenders, increasing

client satisfaction and ultimately growing and sustaining our business. By becoming ISO accredited it supports our efforts to cultivate a culture of excellence and become an employer of choice.

The group has a centralised internal specialised team of labour, industrial relations and legal experts that provides guidance on the interpretation and application of any legal and regulatory requirements to our business and our clients. During the reporting period we continued to invest a considerable amount of effort and planning to position the group to be able to continue to service our clients within the ambit of legislative amendments, manage risks and identify related opportunities. Representation on CAPES and other relevant industry bodies ensure appropriate and timeous engagement, education, and communication of all regulatory matters.

Other focus areas included:

#### Key organisational capital inputs

- |  |  |  |
|--|--|--|
| ▪ Diversification strategy             | ▪ ISO accreditation                    | ▪ Skills training                                |
| ▪ Integration of acquisitions          | ▪ Services innovation                  | ▪ Increased external marketing and PR activities |
| ▪ Organisational restructure           | ▪ Intellectual capital                 | ▪ Procurement                                    |
| ▪ Triple-C strategy                    | ▪ Decentralised management development |  |
| ▪ Investment in information technology |  |  |

#### Outcomes of our activities

- |  |  |  |
|--|--|--|
| ▪ Diversification of income and risk                               | ▪ Improved access to capital   | ▪ Increased intellectual and industry knowledge                                  |
| ▪ Organic growth   | ▪ Information technology supports subsidiaries' needs and becoming an enabler                | ▪ Preferential procurement improves B-BBEE scorecard and supports transformation |
| ▪ Growth into Africa   | ▪ Management of client credit risk   |  |
| ▪ Improved internal communication, collaboration and cross-selling | ▪ Improvement in the group's information technology efficiencies, communication and security |  |
| ▪ Improved organisational structures                               | ▪ Enhanced brand reputation  |  |
| ▪ Unlocking greater value from each segment                        |  |  |
| ▪ Improved management of Opex                                      |  |  |

#### Trade-offs in our use of organisation capital

Investment in information technology improved our efficiencies and decreased our risks

Diversification and the development of customer-centric relevant solutions increased customer satisfaction and the demand for our products and services, enhanced our brand and reputation, improved business sustainability and allowed for the payment of taxes which contributed to the country's economic and social well-being

Our investment in organisational capital reduces our "stocks of value" of financial capital in the short term, while it improved our human social and relationship capital and ensured our sustainability in the long term

## Our people

Highlights	
▶	<b>1 343 permanent staff employed</b>
▶	<b>34 241 assignees employed</b>
▶	<b>150 learnerships for permanent staff</b>
▶	<b>797 learnerships for contractors</b>
▶	<b>Launch of #WorkforceWellness programme</b>

### Challenges

- Employment equity
- Diversity management
- Black talent attraction and retention
- On-boarding of people with disabilities
- Inter-company communication and collaboration

### Looking ahead

- Launch of junior leadership programme
- Mentorship programme
- Employment equity
- Employment and on-boarding of people with disabilities
- New leave and privileged leave policy

### Workforce's human capital comprises

Our human capital comprises permanent employees, contractors who we deploy on an outsourced basis, consultants and contractors whose professional and technical skills we procure; and the knowledge and business know-how within our leadership and key employees. Human capital is defined as people's competencies, capabilities and experience, and their motivations to innovate; including their alignment with and support for the group's governance framework, risk management approach, ethical values; ability to understand, develop and implement our strategy; loyalties and motivations for improving processes, goods and services, including their ability to lead, manage and collaborate.

### How we manage our human capital

We continue to be driven by our purpose of making a meaningful and sustainable difference in people's lives – to uplift them, to find employment for people and empower them with the appropriate training, healthcare, financial services and lifestyle benefits. As such, we regard human capital as a core building block for value creation, and considering the essential part that people play in all our business activities, a key driver of our long-term success. We are therefore mindful of the impact we have on the human capital that flows through our business. The way people think about our brands or act, differentiates us in the markets we serve.

#### Employment equity statistics

Occupational levels	Male							
	2017 A	2016 A	2017 C	2016 C	2017 I	2016 I	2017 W	2016 W
Senior top management	–	–	–	–	–	–	4	5
Top management	1	–	–	–	4	2	28	15
Senior management	1	2	1	1	6	4	34	24
Professionally qualified and experienced specialists and mid-management	31	8	9	4	13	13	48	39
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	85	63	33	31	29	12	59	65
Semi-skilled and discretionary decision making	69	61	14	18	–	–	15	11
Unskilled and defined decision making	4	1	–	–	–	–	–	–
<b>Total permanent</b>	<b>191</b>	<b>135</b>	<b>57</b>	<b>54</b>	<b>52</b>	<b>31</b>	<b>188</b>	<b>159</b>
Temporary employees	19 960	19 171	2 696	2 657	311	336	482	483
<b>Grand total</b>	<b>20 151</b>	<b>19 306</b>	<b>2 753</b>	<b>2 711</b>	<b>363</b>	<b>367</b>	<b>670</b>	<b>642</b>

A: African C: Coloured I: Indian W: White M: Male F: Female



Female								Foreign nationals				Total 2017	Total 2016
2017 A	2016 A	2017 C	2016 C	2017 I	2016 I	2017 W	2016 W	2017 M	2017 F	2016 M	2016 F		
1	1	–	–	1	1	–	–	–	–	–	–	6	7
3	2	3	2	2	1	10	11	1	–	1	–	52	34
5	1	6	6	3	2	30	22	1	–	10	–	87	72
54	37	14	15	2	2	58	43	5	1	25	1	235	187
121	93	69	63	25	21	101	101	4	5	61	3	531	513
157	119	63	52	17	8	47	46	–	1	26	2	383	343
42	27	1	1	–	–	–	–	1	1	–	1	49	30
383	280	156	139	50	35	246	223	12	8	123	7	1 343	1 186
8 855	7 887	1 548	1 449	75	74	202	164	78	34	61	22	34 241	32 304
9 238	8 167	1 704	1 588	125	109	448	387	87	41	184	29	35 584	33 490

## Our people (continued)

Our management philosophy is to position Workforce as an employer of choice by building a mutually beneficial working environment that is stable and secure, underpinned by a high performance, ethics-based culture that is equitable, supportive and diversity friendly, to enable our employees to achieve their full potential through decent work in a challenging environment and recognising their contribution by enabling them to share in the growth of the organisation.

### Group employee statistics

During the period under review the group employed 1 343 permanent staff and 34 241 assignees.

### Youth employment

Workforce continues to play a significant role in youth development and employment. During the period under review, the group employed over 26 455 “youth” (young people aged between 18 and 35) reflecting our support of the Government’s aim of encouraging employers to hire young and less experienced work seekers as outlined in their national development plan.

### Creating a culture of excellence

During the reporting period, various interventions and extensive internal communication was directed at creating an environment of purpose and becoming an employer of choice. These included, but are not limited to:

- Reinforcing our ethics-based corporate values and what it means to live them;
- Reiterating our purpose to create a high-performance culture – a culture of excellence;
- Outlining the standards associated with a culture of excellence;
- Marketing and positioning Workforce to become an employer of choice;
- Increased internal and external marketing of the group’s trading brands to align each business and its brand. Focus: Brand to drive performance, culture, attitude and experience;
- Promoting a culture of reporting wrongdoing;
- Cultivating an ethics-based culture with zero tolerance towards fraud and inappropriate conduct;
- Encouraging employee health and wellness through #WorkforceWellness:
  - Physical fitness;
  - Physical health (on-site clinic at our head office which is open daily);
  - Emotional wellness (psycho-social support and counselling available at our head office weekly);
- Improving the flow of information across brands and regions;
- Chief Executive Officer hosted semi-annual leadership days;
- Formalising of staff induction programme;
- Annual increase alignment to July;
- Group life and medical aid available for all employees from day one of employment;

- Triple-C strategy of communication, collaboration and cross-selling;
- Key performance areas (“KPA’s”) for executive and divisional management expanded to include non-financial indicators;
- Controlling costs and extracting efficiencies by driving innovation and technology to deliver improved products and services;
- Corporate governance training for divisional management; and
- Management training to improve employment equity and achieve broad-based transformation.

### Talent management

We recognise the integral role that talent management plays as an enabler to create a high-performance organisation and therefore have included it as one of the group’s key material issues and a strategic imperative. Our approach is to become an employer of choice and in so doing enhance our ability to attract and retain top calibre employees, who not only have expertise in a specific job function, but also particular knowledge of the niche sectors in which we operate.

Responsibility for talent management lies jointly with group human resources and line management. While the group operates a decentralised human capital management model to allow each operating company to have its own human capital management structure, their individual strategies are aligned with the group’s overall talent management framework, which allows the divisions the flexibility to identify and manage their talent according to their own business environments.

### Labour practices, decent work and human rights

Acknowledging the diversity of cultures in our employee complement, the group seeks to redress any historical imbalances thereby allowing all employees to compete on equal terms through enforcement of our established codes, policies and procedures. These guide recruitment, business and employee conduct, ethics, non-discrimination, industrial relations, employment equity, grievance and dispute settlement and freedom of association. All policies and procedures are communicated to staff through orientation and induction programmes, notice boards, electronic communications, newsletters, employment agreements and other employee engagement processes.

Workforce is a responsible employer and proactively meets its legislative and regulatory obligations and is compliant with all relevant legislation of countries within which we operate. During the reporting period, there were no fines for non-compliance with laws and regulations.

All our permanent staff enjoy the benefits of a basic salary augmented by other benefits that include a retirement fund, risk and medical aid benefits which are subsidised at differing levels depending upon an employee’s position and selection of

benefit type. During the reporting period, the group amended its policy on its contribution towards retirement and medical aid funding by waiving the required waiting period thereby enabling all employees to enjoy company contributions towards medical aid and retirement, death and disability to be effective from day one of their employment. Another step towards positioning Workforce as an employer of choice.

During the period under review, a number of healthcare, death and disability benefit offerings were extended to our assignees and contractors and their families. The uptake in this regard has been positive and further roll-out strategies are currently being considered.

Workforce upholds the human rights policies detailed in the South African Constitution. In addition, South Africa's endorsement of the Global Compact's 10 Principles on human rights, forced, compulsory or child labour, fraud and anti-corruption is also binding on the group. There were no contraventions of these principles during the period under review.

In line with the South African Constitution, Labour Relations Act and the basic conditions of Employment Act, the group recognises the rights of employees to freedom of association, collective bargaining, dispute resolution mechanisms and protection against any form of harassment, victimisation or discrimination for exercising their rights.

## Employee engagement

Adopting an inclusive approach to employee engagement is important to foster sound relationships with staff and an integral component of effective talent management. During the year a number of employee engagement surveys were conducted to obtain input and feedback from employees on certain issues, including but not limited to:

- Employee wellness survey – counselling services;
- Employee wellness survey – physical fitness;
- Employment equity survey – to identify level of EE knowledge and barriers;
- Induction questionnaire – to obtain feedback on quality of induction training; and
- Online exit questionnaire – for feedback on tenure at Workforce and reasons for leaving.

## Staff welfare

Management's approach to create a high-performance culture is to support employees in achieving holistic health and wellness. During the reporting period, the group's #WorkforceWellness programme was launched with the opening of a primary health clinic at our head office in Parktown, Johannesburg, thereby enabling employees to gain free access to primary healthcare services during working hours without the

need to take time off from work and visit external clinics or doctors. Clinic services include family planning and management of chronic and acute conditions and is open seven days per week.

Another component of the #WorkforceWellness programme is "emotional wellness" which enables our employees to access face-to-face counselling and psycho-social support. A qualified psycho-therapist is available weekly at our head office for face to face counselling and telephonically for outlying areas.

The third component of the #WorkforceWellness programme is our focus on physical fitness whereby employees are encouraged to improve their level of physical fitness. This drive is extended to operating divisions throughout the country and encourages employees to participate in various physical fitness activities through our inter-company yoga and running clubs, all free of charge.

## Transformation

Transformation is a key requirement for businesses to compete and remain relevant in South Africa. During the period under review, we achieved a Level 4 contributor status on the revised B-BBEE codes of good practice (Generic Scorecard), dropping only one level from the previous rating criteria. We are pleased to report that our shareholding improved to 51% black owned and 30% black women owned. We acknowledge a lot more needs to be done to transform all aspects of Workforce's business to achieve the rating we aim for.

Barriers affecting our performance in terms of transformation include policies, culture and training and development of our staff and management. We must continue to create an environment where transformation remains an agenda item, diversity is consciously managed and talent is nurtured, especially black talent.

## Transformation committee

The group's transformation committee continued its drive to ensure that all the operating subsidiaries of Workforce remain focused on achieving their individual transformation goals. The committee's purpose is to facilitate the achievement of the group's strategic transformation objectives, namely:

- a) Ensure that meaningful transformation takes place at all levels within the group;
- b) Transform the environment in which we operate, to make it more enabling for the achievement of empowerment objectives;
- c) Integrate all Workforce empowerment initiatives and ensure synergies of purpose; and
- d) Maintain or improve the group's status as a Level 4 B-BBEE contributor.

## Our people (continued)

### Transformation committee performance during the year

#### Focus areas during 2017

- Transformation policies developed and approved in 2017 and training on some of the policies was conducted in 2017
- Appointment of transformation representatives per subsidiary to work directly with the Transformation Manager to achieve transformation targets
- Training conducted for management of all group subsidiaries and their appointed transformation representatives
- Establishment of B-BBEE targets in line with scorecard elements
- Subsidiaries trained and educated on requirements to achieve their own B-BBEE targets
- Workforce Holdings Limited achieved a Level 4 B-BBEE rating on the revised codes of good practice. The group's rating is based on the generic scorecard and includes all 100% owned subsidiaries of the group

#### Planned future focus areas

- Develop transformation toolkit to educate staff on all aspects of transformation and the policies that drive transformation
- Develop group-aligned transformation strategy with clearly defined goals and performance indicators
- Measure transformation progress on a monthly basis, using B-BBEE scorecard elements as a tool for measurement
- Train management on transformation goals and targets
- Continue to assist subsidiaries to achieve and improve their B-BBEE targets
- Group aims to maintain its Level 4 B-BBEE rating during 2018 while working towards achieving a Level 3 rating in the following reporting period

During the reporting period, the following subsidiaries achieved a Level 2 B-BBEE rating based on their “exempted micro enterprise” or “qualifying small enterprise” status in addition to their black ownership status:

- Fempower Personnel
- Workforce Healthcare
- Nursing Emergencies
- Teleresources
- Essential Employee Benefits
- Quyn HR
- Quyn Payroll Services

### Employment equity

Employment equity remains an area in which the group can improve its performance with emphasis on better representation of designated groups at a senior level as well as in alignment with economically active population (“EAP”) statistics. During the reporting period, the group revised its recruitment policy to make it mandatory that the economically active targets are considered first for all middle and senior management positions to facilitate greater achievement of our employment equity targets. The policy provides for more stringent deviation reporting and accountability and is applicable to all subsidiaries and divisions of the group. Achievement of employment equity targets has now been included in the KPA's of subsidiary and divisional management.



## Employment equity committee performance during the year

### Focus areas during 2017

- Development of employment equity policy for the group and its subsidiaries
- Enterprise-wide employment equity awareness and education campaign included road shows, emailers, posters, newsletter articles and employee surveys
- Development of employment equity compliance checklist
- Re-establishment of employment equity committees for each subsidiary, section 24 appointments and training of committee members
- Identification of employment equity barriers and employment equity numerical analysis
- Development of employment equity strategy and implementation plan
- Implementation and training on revised recruitment policy to reduce the number of “deviation” appointments
- Submission of employment equity plans

### Planned future focus areas

- Ongoing employment equity education and awareness
- Close monitoring and management of “deviation” appointments
- Schedule ongoing employment equity committee meetings
- Quarterly numerical analysis and monitoring of employment equity progress
- Monthly and quarterly feedback to executive committees
- Monitor and address employment equity barriers
- Training of new employees
- Review of employment equity plans and update after annual report submissions

## Skills development and training

The group actively pursues people development to influence, support and enhance operational efficiency and performance. Workplace Skills Plans have been submitted for all our subsidiary companies and divisions of the group and outline the training imperatives for the next operating period.

## Training for permanent staff

Our emphasis on facilitating transformation in the workplace through increased skills development and skills transfer programmes continued and will remain a key focus area for the group and all our trading subsidiaries and divisions as the optimisation and development of employee potential is essential for creating a high-performance culture. During the next reporting period the group will be launching a junior leadership programme and other developmental programmes, specifically aimed at employees from designated groups and which will augment our efforts to improve our employment equity performance.

A considerable amount of in-house product and operational training courses were run for employees of our businesses during the period under review. In addition to the requirement for all new employees to attend induction training, extensive training took place on the group’s bespoke in-house systems and operational processes. This was augmented with external specialised product and service short-course training.

During the year our learnership programme for permanent staff provided the opportunity for staff to participate in learnerships at three different levels. Management NQF5 learnership for our middle managers and for employees who have management potential. Business Administration NQF3 learnership for staff currently in business administration positions and Business Practice NQF1 for those staff members who are currently in unskilled roles and who have the potential or interest to become administrators. These learnership programmes were available to staff across all our operating regions.

## Our people (continued)

Name of learnership	Number of learners	Number of black learners	Black youth (under 36)
Management NQF5	66	43	31
Business Admin NQF3	74	6 339	47
Business Practice NQF1	10	10	5
<b>Totals</b>	<b>150</b>	<b>122</b>	<b>89</b>

### Training for our contractors

During the reporting period our blue-collar contract staff were again offered the opportunity to consolidate their many years of work experience into a recognised qualification through a learnership intervention. A learnership programme enables a contractor to formalise and upskill themselves in the work they are typically already doing by acquiring a formal qualification from a recognised SETA. A total of 797 contractors participated in learnership programmes during the reporting period. We are pleased to report that 144 contract workers successfully completed their learnership programme and will progress to the next level.

### Health and safety

The group is committed to compliance with the Occupational Health and Safety Act, as amended, and in so doing, ensuring the health and safety of all our employees. Our management across all our trading companies have a duty to provide and maintain, as far as is reasonably practicable, a working environment that is safe and without risk to the health of employees.

The health and safety committee focused its attention on the following areas during 2017:

- conducted a health and safety risk assessment to identify hazards and align our policy and procedures with the assessment
- update policy and procedures to make provision for disabled employees
- ensure health and safety committees are functional including sub-committees and representatives
- ensure compliance certificates for all our operations are obtained
- health and safety now included as part of group's induction training
- create strong health and safety culture through training and awareness campaigns
- conducted regular documented fire and emergency drills.

## Our relationships

	Highlights
▶	<b>Investment in enterprise development initiative, Qunu Workforce continued</b>
▶	<b>1 297 learnerships for unemployed</b>
▶	<b>141 unemployed people successfully completed their learnership programme</b>
▶	<b>149 unemployed people continued with their apprenticeship training in bricklaying</b>
▶	<b>67 interns completed their internship programme</b>

### Challenges

- QSE and EME supplier procurement
- Transformation
- Enterprise development

### Looking ahead

- 71 previously unemployed people will complete their trade tests in 2018
- 600 unemployed learners are expected to complete their learnership in 2018
- 125 unemployed people will commence learnership programme in bricklaying and plumbing in April 2018
- Transitioning of enterprise development initiative into supplier development programme

## Our social and relationship capital

Our social and relationship capital is made up of a combination of social, relationship and natural capital encompassing the institutions and the relationships within and between the communities in which we operate, our groups of stakeholders and other networks, and our ability to share information to enhance individual and collective well-being. More specifically, it comprises the relationships we have with our customers, suppliers, business partners, legislative and regulatory bodies, local communities in which we operate and from where we procure our staff and other stakeholder groups impacted by our business. It also includes our relationship with the environment and the impact of our business on renewable and non-renewable environmental resources.

### How we manage our social and relationship capital

Cultivating an atmosphere of mutual workplace respect and proper business conduct is vital to the integrity and success of the group. Our values form part of our endorsement to fostering an open and ethical workplace environment, where every opportunity is sought to promote a culture of reporting wrongdoing reinforced by a zero tolerance towards inappropriate conduct, throughout all our operating subsidiaries and divisions.

### Stakeholder relationships on which we rely to create value

The value Workforce creates for itself is linked to the value it creates for others. Proactive, constructive and inclusive stakeholder engagement is therefore fundamental for sustainable value creation. We define stakeholders as individuals or groups who affect or are affected by our organisation and its activities.









Our inclusive approach to stakeholder engagement enables us to identify and prioritise our material matters, gain insights and learning, mitigate risks to the business, seek areas of potential partnership, create mutual trust and respect and ensure our social licence to operate. It also provides us with essential information to influence the crafting of our strategies.

All our business units operate in a context where economic, social and regulatory factors have a direct and indirect impact on their future sustainability and, in turn, the entire group. Our guiding principles for stakeholder engagement are congruent with the values espoused in the group's formal code of business conduct and in our decentralised business environment, our business units use these principles to guide and govern their stakeholder engagement processes.

We will continue to enhance and build on our stakeholder engagement by focusing on developing those relationships that have a material impact on the group in the short, medium, and long term.

During the period under review, we engaged broadly with many stakeholder groups as is reflected in our stakeholder engagement table.

## Our relationships (continued)

Stakeholder group	Key issues raised	Our response thereto
 <b>Shareholders and providers of capital</b>	Business sustainability, access to funding; share liquidity; debt-to-equity ratio; ROI.	Operate with the optimal capital structure; review of debt facility; investor presentations and road shows, face-to-face meetings; strategy execution; risk management.
 <b>Clients and prospective clients</b>	Legislative and regulatory landscape, efficiency, national minimum wage, technology, pricing, productivity management, SLA performance, cost management, talent/skills search, B-BBEE rating.	Product and service innovation, services integration; customer service; employee benefits; labour law education, business consulting, training, learnership hosting; radical disability solutions; risk management; compliance; delayed negative decision-making by clients; credit terms.
 <b>Employees/ assignees</b>	Working conditions; benefits, employee welfare, training, mentoring, succession planning/employee welfare; training, remuneration, reward and recognition, benefits, discipline, working conditions, health and safety, water saving.	Ongoing legal and regulatory training for sales and operational staff; HR policies and procedures; job description standardisation linked to job grading and performance appraisal structures; line of sight for promotions, improved remuneration, clear KPIs, added benefits, improvement in health and safety, improved efficiency, training, upskilling, staff retention, lower absenteeism, awareness and education on the subject of water saving, specifically in the Western Cape.
 <b>Unions</b>	Employment conditions; benefits; pay rates; pay parity; legislation; working conditions; employee welfare; temporary to permanent conversions.	Availability of Essential Employee Benefits product range; B-BBEE, strengthened relationships; created credibility, platforms for easy engagement and support.
 <b>Local communities</b>	Youth employment; training and skills development; mentoring; community leader engagement; labour desks, local recruitment, employee welfare, local vendors, CSI community support (CSI), local school support (CSI).	Focus on youth employment; recruitment drives to source staff from local communities; learnership and internship programmes for unemployed; trust in brand, trust in recruitment process; utilisation of local service providers, effective reporting, brand support, community support through CSI initiatives.
 <b>Government and regulators</b>	Industry regulation; ETI (youth employment); skills development; B-BBEE; employment equity.	Direct involvement and active participation at CAPES, Nedlac and BUSA; legislative and regulatory compliance; transformation and B-BBEE; risk management, trusted brand, on the ground support.
 <b>Suppliers</b>	Funding; underwriting; preferential supplier listing; products and pricing, empowerment rating; enterprise development. Water saving back-up plans.	Underwriting tender process established. product availability; preferential supplier agreements, empowered supplier status; transformation strategy; enterprise development negotiations. Contingency plans in conjunction with landlords of various branches in the Western Cape to manage water scarcity.
 <b>Media</b>	Results announcements, media statements, editorials, advertisements, meetings.	Investor relations, public relations, communications and marketing strategy. Response to socio-economic issues.

## Management of ethics and anti-corruption

Maintaining effective policies is an important step in cultivating an ethical culture and the following policies were reviewed during the reporting period and found to be applicable:

- Code of business conduct;
- Policy on fraud, theft, corruption and associated internal irregularities; and
- Whistleblower and whistleblower protection policy.

These policies also support the group's observance of other anti-bribery and anti-corruption laws and regulations including, but not limited to, the South African Prevention and Combating of Corrupt Activities Act, 2004 (as amended) (Act 12 of 2004), the United National Global Compact Business Principles, and Organisation for Economic Cooperation and Development ("OECD") recommendations regarding corruption as outlined in the South African Companies Act 2008 (Act 71 of 2008), as amended.

During the reporting period, there were no fines for non-compliance with laws and regulations or legal actions for anti-competitive behaviour, anti-trust and monopoly practices levied against the group.

## Protection of personal information

The group is committed to protecting all our stakeholders' privacy and ensuring that their personal information is used appropriately, transparently and securely. No complaints related to breach of privacy and loss of customer data were received or reported during the period under review.

## B-BBEE

Good B-BBEE credentials are vital to do business in South Africa and supports our social licence to operate. The group's transformation efforts towards improving its B-BBEE contributor level status, received much focus during the reporting period and resulted in the group successfully achieving a Level 4 rating on the revised codes of good practice, dropping only one level from the previous rating criteria.

The group's transformation committee continued its drive to ensure that all the operating subsidiaries of Workforce remain focused on achieving their individual transformation goals and in so doing contribute towards improving the group's overall B-BBEE scorecard.

B-BBEE scorecard progress		Planned future focus area	
Equity ownership	94%	Maintain black ownership at not less than 51% and black women ownership at not less than 30%	
Management control (including employment equity)	39%	Align Workforce EE targets with the “Economically Active Population” targets Launch junior leadership programme Drive new recruitment policy adherence to reduce deviations	
Skills development	75%	Develop subsidiary training budgets for permanent staff while maintaining current learnership and internship programme activity levels	
Enterprise and supplier development	Preferential procurement	53%	Build on and improve on group’s preferred supplier list in order that all business units procure from the most B-BBEE preferred suppliers to increase procurement points
	Enterprise development	100%	Maintain benefit from current enterprise development beneficiary, Qunu Workforce, through interest-free loans as well as support with overhead costs (free rental space, utilities, advertising and marketing etc)
	Supplier development	42%	Supplier development initiatives to be developed – Support current SMMEs on our supplier register with direct and overhead costs as well as internal services rendered at no cost; training and development initiatives for these beneficiaries
Socio-economic development	100%	Continue to implement the CSI initiatives that will ensure achievement of all SED points of the scorecard	

## Our relationships (continued)

### Socio-economic development

Our purpose of making a meaningful and sustainable difference in people's lives continues to inspire us. We are fortunate that so many of the contracts we are involved in are directly or indirectly the result of private and public-sector initiatives to create jobs, provide training and uplift communities. Our diversified business structure enables us to integrate staff provision, training and skills development which results in sustainable value being created for individuals associated with our group and which in turn can flow through to dependent structures such as their families and their communities.

### Skills development for unemployed people

In addition to the formal skills training we do commercially and the specific job skills development we facilitate for our

permanent staff and our contractors, Workforce has acquired extensive experience in hosting and facilitating learnership and internship programmes for unemployed people, with a good track record of successful completion by delegates. This not only supports our efforts to improve our B-BBEE rating, but it also translates into numerous spin-offs and value to be created for the communities in which we operate and in particular for the unemployed and the youth of our country.

Our learnership programme continues to attract high levels of unemployed youth (under the age of 36). Training of unemployed youth provides value to all stakeholders involved. The learner obtains a qualification and valuable work experience. Many of the learners on completion of their learnership are offered either permanent or temporary contracts by either Workforce, as the lead employer, or by the host employer.

### Learnership programme for unemployed people

Learnership programme	Duration	Number of learners	Number of black learners	Black youth (under 36)
Allmed Ancillary Health Care	November 2017 – October 2018	100	100	94
Quyn International Manufacturing	October 2017 – September 2018	73	73	73
Quyn Int. end user computing	October 2017 – September 2018	139	139	138
Molapo Quyn Manufacturing	October 2017 – September 2018	57	57	57
Molapo Quyn end user computing	October 2017 – September 2018	164	164	164
Sizuluntu Manufacturing	October 2017 – September 2018	34	34	34
Sizuluntu end user computing	October 2017 – September 2018	90	89	89
Teleresources Business Administration	November 2016 – October 2017	77	53	53
Teleresources Business Practice	September 2016 – August 2017	75	44	71
Teleresources Call Centre	September 2016 – August 2017	306	306	295
Workforce Staffing Bricklayer 1	June 2015 – May 2018	88	88	84
Workforce Staffing Bricklayer 2	November 2016 – October 2019	94	94	94
Total		1 297	1 241	1 246

### Corporate social investment

Good corporate citizenship is important to Workforce and we recognise the impact our business has on the communities in which we operate. By employing and training individuals from the local communities in which we operate we create value by not only providing employment, skills and experience to individuals and in so doing empowering them but also through the payment of wages which in turn flows through to dependent structures, such as their families and their communities. This not only creates jobs, but also helps to build local economies through the growth, development and empowerment of disadvantaged individuals and the communities in which they reside.

Social and economic development policy provides for:

- Developing, assisting and supporting previously disadvantaged individuals who reside in areas in which the group subsidiaries operate;
- Supporting programmes that engender empowerment and individual development which improve the employability of the youth and enable them to enter the job market in order to become contributing members of society;
- Providing support to disadvantaged communities in need and in which the group operates;
- Creating and enhancing the group's image as a caring corporate citizen; and
- Creating and promoting an internal employee ethos of philanthropy and giving back to society.



A group's corporate social investment committee meets quarterly to discuss initiatives and identify areas for enterprise-wide collaboration. The responsibility for implementation of initiatives will be done through sub-committees at divisional and regional level.

During the reporting period, the group's subsidiaries and divisions provided support to a number of different communities in which we are active throughout the country. Interventions were identified and coordinated independently by each subsidiary allowing their respective branches to form a closer link between business, employees and communities and comprised direct donations, project support or sponsoring of and participation in fund-raising events.

In addition to the above, a large "group" project was taken on involving the refurbishment and expansion of a school in a disadvantaged area in the Klerksdorp area. Project plans for 2018 include the building of three extra classrooms, painting and other refurbishment interventions.

## Environmental performance

The group's efforts around environmental sustainability continues to focus on reducing the negative impacts of our operating divisions, notwithstanding that we are classified as a low impact business posing limited risk to the environment. Despite the relatively small impact we have on the natural environment, we are committed to mitigating our impacts in order to respond to the challenge of climate change while minimising our operating costs.

While the group has seen improvements and efficiencies resulting from our awareness campaigns, the next phase of the group's environmental sustainability journey requires greater formalisation of our efforts by measuring and monitoring our environment impact.

### Our performance during the reporting period

**Water saving** – Efforts to mitigate the water crisis in the Western Cape continued during the reporting period with local branches stepping up their water saving initiatives, educating

and creating greater consciousness among both permanent staff and assignees, and ensuring that back-up contingency plans are in place to continue trading.

**Energy efficiency** – The group continued its efforts to achieve savings through energy efficiency awareness campaigns launched throughout the group – specifically in respect of electricity usage. Motion sensing lights installed in various offices only switch on once motion in a room is detected. Desk top printers continue to be replaced with shared energy-efficient multi-functional devices.

**Procurement** – Through the establishment of a centralised procurement system, the group has achieved various efficiencies and controlled costs in addition to achieving other environmental benefits.

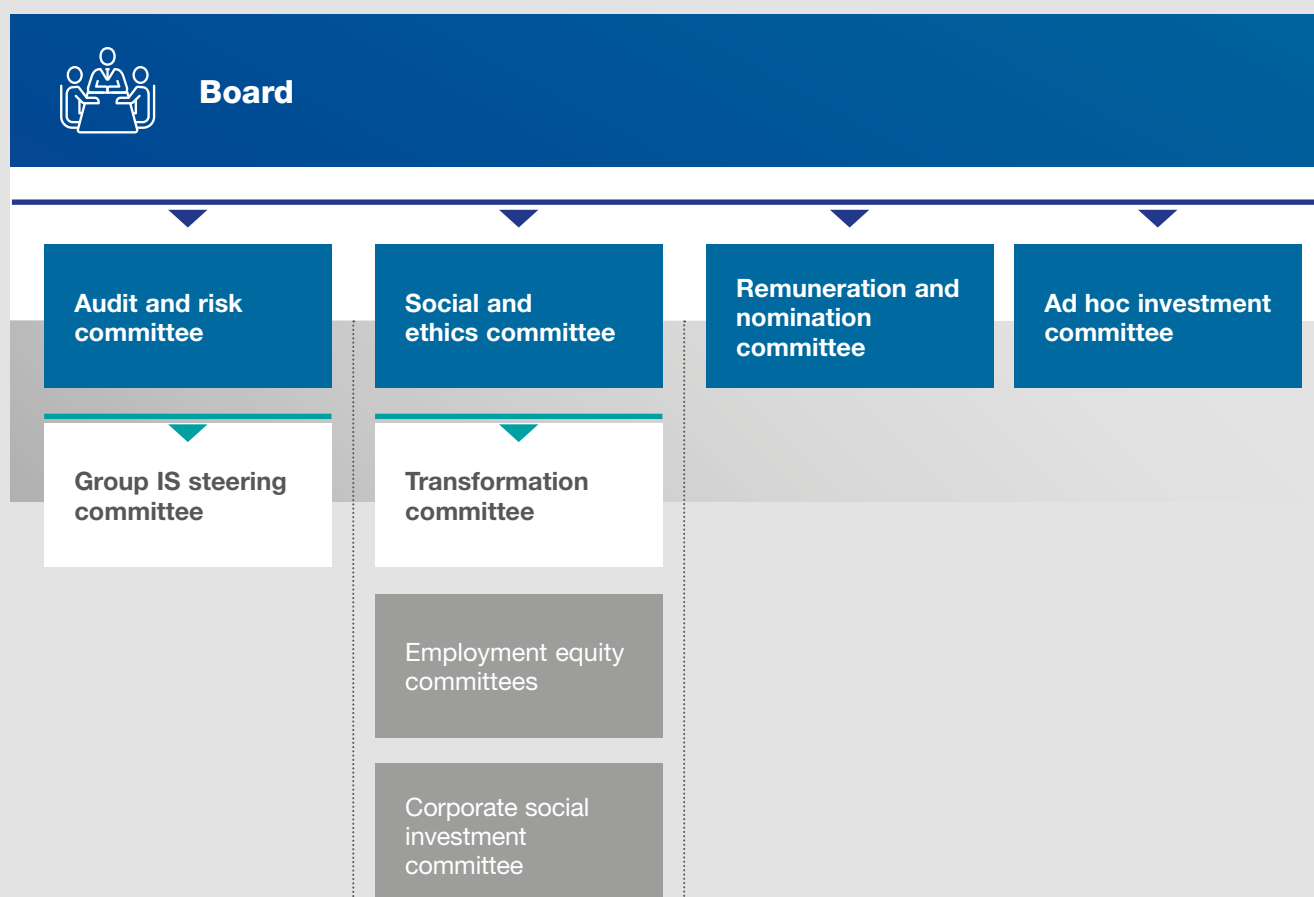
**Decreasing paper usage** – Efforts to decrease paper usage throughout the group continued and results have been pleasing specifically in respect of reducing paper usage by printing less and where possible, printing double-sided. Digitisation and automation of various business processes has reduced in-system paper utilisation, specifically through the introduction of electronic pay-slips and electronic portfolio of evidence in our training subsidiary. Company notices, newsflashes and monthly newsletters are communicated electronically to our staff, clients and other stakeholders.

**Recycling** – Recycling initiatives introduced throughout the group focus on managing the disposal of paper, plastic water bottles and containers used in the day-to-day business environment. Recycling of paper has improved significantly throughout the group since the start of our environmental awareness campaign.

During 2017, all standard computers deployed in the company were designed with the environment in mind, using minimum energy to run, and shipped using green packaging only. All redundant computer equipment is sent for recycling, using certified recycling partners.

# Corporate governance

## Governance reporting structure



## Board of Directors as at 14 March 2018

<b>Ronny Katz</b> Executive Chairman	<b>Philip Froom</b> Chief Executive Officer	<b>Willie van Wyk</b> Financial Director	<b>John Macey</b> Lead Independent Non-Executive Director	<b>Kyansambo Vundla</b> Independent Non-Executive Director	<b>Shelley Thomas</b> Independent Non-Executive Director	<b>Shaun Naidoo</b> Non-Executive Director	<b>Mark Anderson</b> Alternate Non-Executive Director
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### Audit and risk committee

- John Macey (Chairman)
- Shelley Thomas
- Kyansambo Vundla

### Social and ethics committee

- Shelley Thomas (Chairman)
- Michelle Biggs
- Philip Froom
- Frieda Hall
- Craig Katz
- Sean Momberg
- Willie van Wyk

### Remuneration and nomination committee

- Kyansambo Vundla (Chairman)
- John Macey
- Shaun Naidoo

### Group IS steering committee

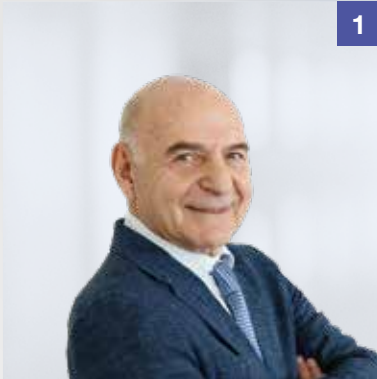
- Martin Coetsee (Chairman)
- Andries Becker
- Desmond Coertzen
- Philip Froom
- Ronny Katz
- Henry Sassenberg
- Keith Thomas
- Willie van Wyk

### Transformation committee

- Craig Katz (Chairman)
- Michelle Biggs
- Michael Flemington
- Dawn Halsey
- Tumelo Mmusi
- Preshandini Naidoo
- Dianne Normans

## Board of Directors

### Executive Directors



### Non-Executive Directors



### Alternate Director



**Ronny Katz (75)**  
Executive Chairman  
BCom, LLB, MBA

1

After completing his legal studies, Ronny joined City Merchant Bank and worked in the investment division before completing an MBA degree in 1968 at the University of Cape Town, after which he purchased the legal practice of David Borkum. In 1972, Ronny started Workforce and has been responsible for its growth and development since then. Ronny was appointed Executive Chairman of Workforce Holdings Limited in October 2006.

**Philip Froom (42)**  
Chief Executive Officer  
BCom (with distinction), BCom  
Honours (Taxation), CA(SA), CFA

2

Philip was a shareholder and director of the Paycorp Group Proprietary Limited ("Paycorp") (a former subsidiary of the listed company, Transaction Capital Limited), and a founding shareholder and chief executive officer of subsidiary companies of Paycorp for 11 years. Previously, after completing articles at Grant Thornton, Philip worked at Mettle Specialised Financial Proprietary Limited, facilitating securitisations, debt origination and leveraged buyout transactions. Philip was appointed Chief Executive Officer of Workforce Holdings Limited in August 2016.

**Willie van Wyk (45)**  
Financial Director  
BCompt (Hons), CA(SA)

3

Willie completed his articles with Deloitte & Touche in 1996 and following that, held a number of financial management positions with Nola, a division of Foodcorp, for three years and Nampak for five years. Willie joined the Workforce group in 2007 and was appointed Financial Director of Workforce Holdings Limited in June 2008.

**John Macey (56)**  
Lead Independent  
Non-Executive Director  
BBusSci (Hons), BCom (Hons),  
CA(SA) Registered auditor

4

John completed his articles at Deloitte & Touche in 1990. He has over 30 years of experience in finance and financial management. He has been financial director of manufacturing companies, lectured financial and management accounting at the University of Cape Town, advised on corporate finance deal structuring and acted as an outside advisor on technical accounting issues to accounting and auditing firms. He sits on the boards and audit committees of three listed groups. John was appointed to the Workforce Holdings Limited board in June 2009.

**Shaun Naidoo (32)**  
Non-Executive Director  
CA(SA), MBA

5

Shaun is a Chartered Accountant and holds an MBA from the Gordon Institute of Business Science. In his current role as Corporate Finance Director at Vunani Limited, he is involved in the execution of corporate transactions, B-BBEE structuring, balance sheet restructuring, valuations, IFRS and tax advisory and capital raising. Shaun was appointed to the Workforce Holdings Limited board in June 2017.

**Kyansambo Vundla (39)**  
Independent  
Non-Executive Director  
BCom (Accounting), HDip Acc,  
CA(SA)

6

Kyansambo has 15 years of experience in finance and financial management. She completed her articles at BDO Spencer Steward and has been a chief financial officer in the financial services industry for the last nine years. She also served as chairperson of the Bonitas Marketing Company's audit and risk committee as well as a member of the audit and risk committee of Bonitas Medical Aid Fund. Kyansambo was appointed to the Workforce Holdings Limited board in November 2010.

**Shelley Thomas (51)**  
Independent  
Non-Executive Director  
BCompt Post Graduate  
Diploma in Accounting, CA(SA)

7

Shelley completed her articles at Kessel Feinstein (now Grant Thornton) in 1991. Over the years she has sat on a number of boards and committees, in both the private and public sectors. She also serves on the EWSETA and Road Traffic Infringement Agency audit and risk committees and is chairperson of Indvest Group Proprietary Limited. She was previously the divisional head of Forensic, Compliance, and Governance at Protect-A-Partner International. Shelley's previous roles included account lead at Transnet Internal Audit. Shelley was appointed to the Workforce Holdings Limited board in December 2016.

**Mark Anderson (58)**  
Alternate Non-Executive  
Director  
BCom (Hons), CA(SA)

8

Mark is an executive director of Vunani Limited, a company listed on the JSE's Alternative Exchange. Since Vunani's formation in 1998, Mark has held a number of positions with the company, including head of corporate finance. He is currently responsible for Vunani's investment banking activities. Prior to joining Vunani, Mark ran a corporate finance boutique and in the 1980s and early part of the 1990s advised and consulted to trade unions. Mark was appointed to the Workforce Holdings Limited board in October 2007, but his designation changed in June 2017 when he was appointed Alternate Non-Executive Director to Shaun Naidoo.



## Corporate governance report

Good corporate governance provides the framework within which we strive to create superior levels of performance to the benefit of all our stakeholders. This is why the group welcomes the introduction of the King IV Report on Corporate Governance for South Africa 2016 (“King IV”).

The board believes that achieving the highest standards of corporate governance is key to achieving the group’s vision and strategy as well as creating and sustaining value for the group’s stakeholders.

Transparency, accountability, integrity and openness in reporting and disclosure of information, both operational and financial, are internationally accepted to be vital to the practice of good corporate governance. Achieving this objective demonstrates Workforce’s public accountability and its commitment to conduct its business within ethical standards and outcomes-based strategic objectives.

Of particular relevance during the year was the launch of King IV on 1 November 2016, which became effective from 1 April 2017. As an indication of its commitment to good corporate governance practice, the group has commenced addressing gaps identified through the King IV analysis. The board will include its first full King IV report in this 2017 integrated annual report.

### Leadership, ethics and corporate citizenship

Principle 1:

**The board should lead ethically and effectively**

The group is committed to achieving its goals with integrity, high ethical standards and in compliance with all applicable laws, whilst being a responsible corporate citizen. The board has adopted a code of business conduct which is continuously reviewed and sets the tone for an ethical culture within the group. The Directors are fully committed to these principles,

which ensures that the business is managed according to the highest ethical standards, even beyond mere legal compliance, within its operating environment, as well as social, political and physical environment within which the group operates.

Principle 2:

**The board should govern the ethics of the group in a way that supports the establishment of an ethical culture**

The code of business conduct is included as part of induction for new employees as well as other regular training programmes and is available on the company’s website at [www.workforce.co.za](http://www.workforce.co.za). Ethics are part of our recruitment process, evaluation of performance and rewards of employees as well as the sourcing of suppliers.

Directors and officers of the company are committed to always act in good faith and in the best interest of the company. A register of Directors’ interests is circulated at each meeting for Directors to confirm their interests. Declaration of interests is a standard agenda item and specific conflict of interests are captured in the minutes.

Principle 3:

**The board should ensure that the group is and is seen to be a responsible corporate citizen**

No material ethical leadership and corporate citizenship deficiencies were noted. The board, through the audit and risk committee as well as the social and ethics committee, monitors compliance with Workforce’s code of business conduct through various reporting channels including its internal audit department and the whistle-blower hotline. Quarterly feedback is given to the relevant committees and the board while sanctions and remedies are in place when ethical standards are breached.

Whistleblower tip-off line call type	2017 Q1	2017 Q2	2017 Q3	2017 Q4	Total
Concept query	1	3	2	3	9
Line testing	–	–	–	2	2
Non-related	1	–	–	1	2
No response	9	6	7	7	29
Wrong number	13	4	2	6	25
Online reports received	2	–	2	–	4
Call (telephone) report received	–	–	–	3	3
<b>Total</b>	<b>26</b>	<b>13</b>	<b>13</b>	<b>22</b>	<b>74</b>



Workforce did not receive any requests during the financial year in terms of the Promotion of Access to Information Act, 2000 (Act 2 of 2000). During the financial year, Workforce, to the best of its knowledge, complied in all material aspects with all relevant legislation and was not subject to any material penalties, fines or criminal procedures.

## Strategy, performance and reporting

The board is of the view that sound governance practices are fundamental to earning the trust of stakeholders and that this is critical to sustaining performance and preserving shareholder value.

▶ Principle 4:  
**The board should appreciate that the group's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are in all elements of the value creation process (refer to material matters, risks and strategy on pages 11 to 17)**

The board is the highest decision-making body in the group. It approves the group's strategy and ensures that it is aligned with the group's values. The board assumes collective responsibility for steering and monitoring strategy implementation and performance targets as well as any risks involved in the implementation of the strategy. It is collectively responsible for the group's long-term success. The board is accountable to shareholders and strives to balance the interests of the group and those of its various stakeholders. All Directors are continuously taking steps to ensure that they have sufficient working knowledge of the group, the industry within the triple context in which it operates. Directors are required to ensure continued development of their competencies to lead effectively and act with due care, skill and diligence and take reasonable diligent steps to become informed about matters for decision-making.

## Reporting

▶ Principle 5:  
**The board should ensure that reports issued by the group enable stakeholders to make informed assessments of the group's performance, and its short, medium and long-term prospects (refer to material matters, risks and strategy on pages 11 to 17)**

The board is overall responsible for overseeing that reports to stakeholders comply with the necessary legal requirements as well as include true, accurate and reasonable information. This function is delegated to the audit and risk committee and recommended to the board for final approval. Materiality issues are formally determined and reported on accordingly.

## Governing structures and delegation

### Primary role and responsibilities of the board

▶ Principle 6:  
**The board should serve as the focal point and custodian of corporate governance in the group**

The board acts as focal point and custodian of corporate governance of the group. A clear division of responsibilities between the Directors is maintained to ensure that no single Director has unfettered decision-making powers. A delegation of authority framework is in place and reviewed regularly to ensure the necessary authority to management to implement and execute the strategy. The board is satisfied that the delegation of authority framework contributes to role clarity and the effective exercise of authority and responsibilities.

The Directors have access to the advice and services of the Company Secretary. They are entitled, at the company's expense, to seek independent professional advice about the affairs of the company regarding the execution of their duties as Directors.

The board met four times during the reporting period and held a strategy workshop during July 2017. The board is satisfied that it has fulfilled its responsibilities in accordance with its charter for the reporting period.

## Corporate governance report (continued)

### Summarised roles and responsibilities of the Board of Directors

- Governing the group on behalf of its shareholders
- Steering the group and setting its strategic direction
- Approving policy and planning that gives effect to the direction provided
- Overseeing and monitoring the implementation and execution by management
- Appointment of Chief Executive Officer
- Ensuring communication to stakeholders is timeous and transparent
- Ensuring compliance with relevant legal requirements
- Approving and monitoring the annual budget
- Guarding and promoting values and ethics
- Managing the group's risk profile

Board members as at 31 December 2017								Standing invitees		
Independent Non-Executive Directors			Non-Executive Directors		Executive Directors			Designated advisors	Company Secretary	
John Macey	Shelley Thomas	Kyansambo Vundla	Mark Anderson*	Shaun Naidoo**	Philip Froom	Ronny Katz	Willie van Wyk	Marcel Goncalves	Monique Martinez	Sirkien van Schalkwyk
Meeting attendance										
5/5	5/5	2/5	3/3	3/3	5/5	5/5	5/5	1/1	3/3	5/5

### Focus areas during 2017

- Identification of acquisition opportunities
- Implementation of King IV
- Implementation of group company's governance framework

### Performance during 2017

Various acquisition opportunities were investigated and an investment committee was also established

The Board Charter was updated with the requirements of King IV as well as all policies falling under the ambit of the board

A group company's governance framework was implemented with eight subsidiary companies and divisions having formal board meetings and ultimately reporting to the Workforce Holdings board

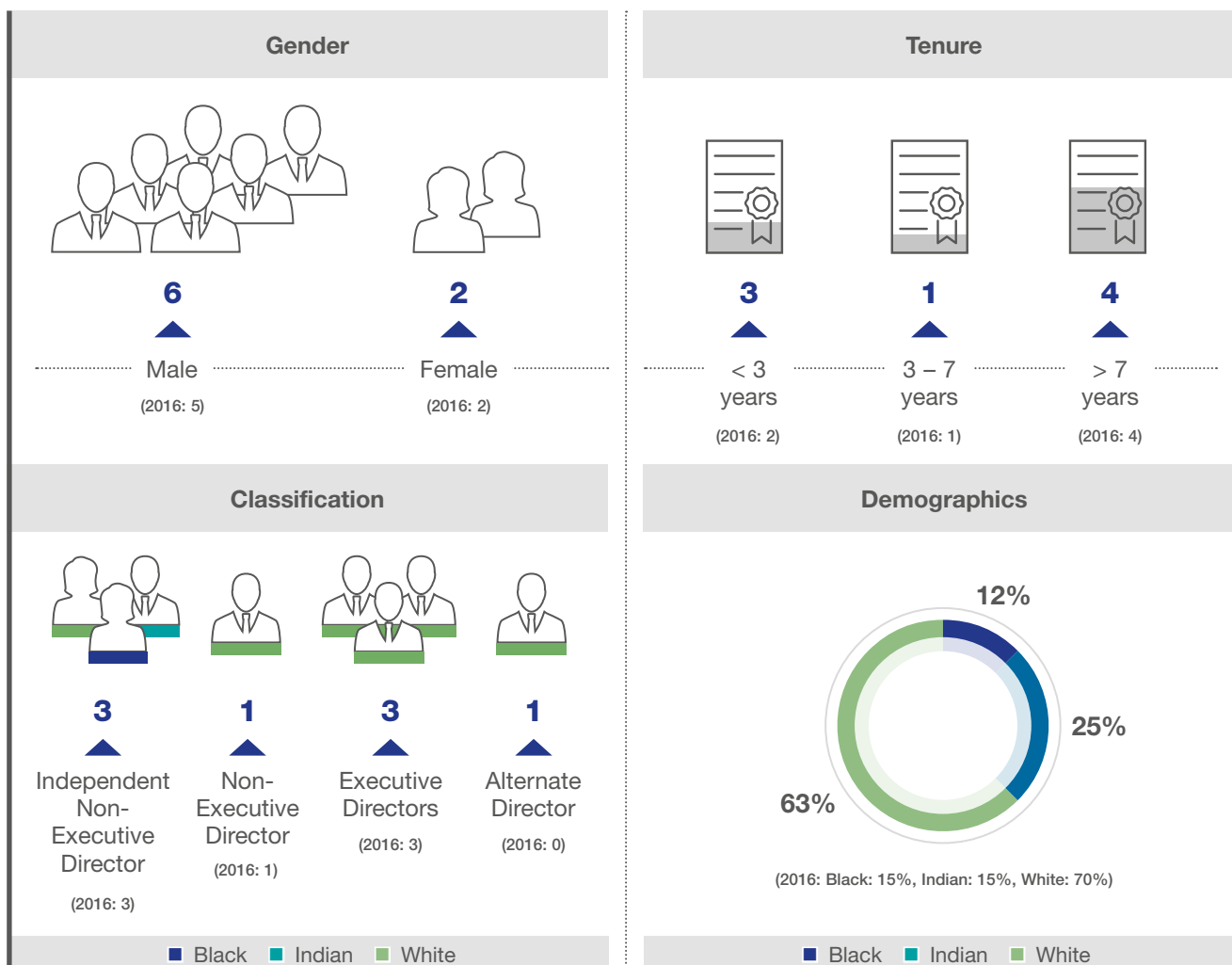
### Planned areas of future focus

Maturing the remuneration policy

Improving corporate governance with implementing recommended practices of King IV

\* Resigned as Non-Executive Director, appointed as Alternate Director to Shaun Naidoo 26 June 2017.

\*\* Appointed as Non-Executive Director 26 June 2017.



## Board composition and independence

▶ Principle 7:  
**The board should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively**

As at 31 December 2017, the board consisted of three Independent Non-Executive Directors, one Non-Executive Director, three Executive Directors and an Alternate Non-Executive Director. The board's composition is in line and in accordance with the principles of King IV, being that a majority of Directors are Non-Executive and the majority of Non-Executive Directors are independent. During the reporting period, Mark Anderson, a shareholder representative Director, resigned as full Non-Executive Director on 26 June 2017, but remains on the board as Alternate Director to Shaun Naidoo,

the newly appointed shareholders' representative appointed on the same date.

The Non-Executive Directors have the necessary skills and experience to provide judgement that is independent of management on matters relating to strategy, performance, resources, transformation, diversity, equity employment, standards of conduct and evaluation of performance. The board is satisfied that its composition reflects the appropriate mix of knowledge, skills, experience, diversity and independence.

## Board appointment and re-election process

The board has a formal and transparent policy regarding the appointment of Directors to the board. While the appointments are a matter for the board, the authority to oversee the nomination and to carry out the interview process have been delegated to the remuneration and nomination committee.

Apart from a candidate's experience, knowledge, skills, availability and likely fit, the committee also considers a candidate's integrity, as well as other directorships and commitments to

## Corporate governance report (continued)

ensure that the candidate will have sufficient time to discharge his/her role properly. The remuneration and nomination committee also considers race and gender diversity in its assessment in line with its gender diversity policy. The policy is currently being reviewed for agreement on a target for race representation in its membership.

In accordance with the company's memorandum of incorporation, a Director, having been appointed by the board since the last annual general meeting of the company, is obliged to retire and being eligible, offers him/herself for election at the next annual general meeting. Shaun Naidoo's appointment will be confirmed at the annual general meeting. The appointment of Mark Anderson as an Alternate Non-Executive Director to Shaun Naidoo will also be confirmed. A brief professional profile of Shaun Naidoo and Mark Anderson can be found on page 47 of the integrated annual report.

In line with the memorandum of incorporation, one-third of the Non-Executive Directors are required to retire, and if available and eligible, stand for re-election at the company's annual general meeting. Those Directors who have been in office for the longest, as calculated from the last re-election or appointment date, are required to stand for re-election. At the 2018 annual general meeting, Shelley Thomas and Kyansambo Vundla will retire and be eligible for re-election. A brief professional profile of Shelley Thomas and Kyansambo Vundla can be found on page 47 of the integrated annual report.

New appointees are appropriately familiarised with the group's business through an induction programme. The composition of the board is reviewed on a regular basis to ensure ongoing compliance with the requirements set out in the Companies Act, 71 of 2008, as amended ("the Companies Act") and King IV.

The management of the board's succession process is crucial to its sustainability. The remuneration and nomination committee ensures that, as Directors retire, candidates with the necessary experience are identified to ensure that the board's competence and balance is maintained and enhanced, taking into account the group's current and future needs.

The role of the board in formulating and prioritising the company's strategy remains a focus area, as well as the mix of financial and operational information to support the measurement of the strategy. Informal succession planning for the Chairman of the board and sub-committees, as well as the executive team, were discussed and agreed on at a remuneration and nomination committee meeting.

The board is responsible for monitoring and reporting on the effectiveness of the company's system of internal control. It is assisted by the audit and risk committee in the discharge of this responsibility.

The Non-Executive Directors derive no benefit from the company other than their fees and emoluments as proposed by the board through the remuneration and nomination committee and approved by shareholders at the group's annual general meeting.

### Independents and conflicts

During the year ended 31 December 2017, none of the Directors had a significant interest in any contract or arrangement entered into by the company or its subsidiaries, other than as disclosed in note 25.5 to the annual financial statements.

Directors are required to inform the board timeously of conflicts or potential conflicts of interest that they may have in relation to particular items of business. Directors are obliged to excuse themselves from discussions or decisions on matters in which they have a conflict of interest, in accordance with the conflict of interest policy that is in place. A standard agenda item is included for members to declare whether any of them have any conflict of interest in respect of a matter on the agenda. This is minuted accordingly.

When categorising the Non-Executive Directors as independent, the interests, position, association or relationship was taken into consideration. This, together with the test of being judged from the perspective of reasonable and informed third party and other indicator in a substance-over-form basis, John Macey, Shelly Thomas and Kyansambo Vundla were found to be independent. The categorisation of Directors can be found on page 51 of the integrated annual report.

John Macey was appointed in 2008 and an assessment was conducted by the remuneration and nomination committee to ensure that he was still independent in line with the requirements of King IV. The committee found that he was still independent in terms of the above tests.

### Non-Executive Directors

Principle 8:

**The board should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities**

All members of the board have a fiduciary responsibility to represent the best interest of the group and all of its stakeholders. The group's Non-Executive Directors are individuals of a high calibre and credibility who make a significant contribution to the board's deliberations and decisions. They have the necessary skills and experience to exercise judgement on areas such as strategy, performance, transformation, diversity and employment equity.

## The Chairman

The Chairman's role is to set the ethical tone for the board and to ensure that the board remains efficient, focused and operates as a unit. Ronny Katz is the Executive Chairman and his role is separate from that of the Chief Executive Officer, Philip Froom. He provides overall leadership to the board and the Chief Executive Officer without limiting the principle of collective responsibility for board decisions. He is not a member of any of the board committees except for the group IS steering committee.

John Macey, an Independent Non-Executive Director, is the Lead Independent Director and fulfils the following functions:

- Lead the board in the absence of the Chairman;
- serve as a sounding board for the Chairman;
- act as intermediary between the Chairman and other members of the board;
- deal with shareholders' concerns where contact through the normal channels has failed to resolve concerns, or whether such contact is inappropriate;
- strengthen independence on the board due to the Chairman not being independent;
- chair discussions and decision-making by the board on matters where the Chairman has a conflict of interest; and
- to lead the performance appraisal of the Chairman.

The role of the Chairman, Chief Executive Officer and lead independent are documented in the board charter.

## Chief Executive Officer

The board appoints the Chief Executive Officer to lead and implement the execution of the approved strategy. Philip Froom serves as the link between management and the board and is accountable to the board. Quarterly progress reports are received from the Chief Executive Officer on the progress made against the implementation of the strategy. Philip Froom is a Non-Executive Director of ProximityID Proprietary Limited, and is also a member of South African Institute of Chartered Accountants ("SAICA") and Chartered Financial Analyst ("CFA"). Informal succession plan is in place for the Chief Executive Officer.

The remuneration and nomination committee evaluates the performance of the Chief Executive Officer against approved targets on an annual basis.

## Company Secretary

The Company Secretary plays a vital role in the corporate governance of the group and is responsible for ensuring board compliance with procedures and regulations of a statutory nature. The Company Secretary ensures compliance with the JSE Listings Requirements and is responsible for the submission of the annual compliance certificate to the JSE Limited ("JSE").

The Company Secretary ensures that, in accordance with the pertinent laws and regulatory framework, the proceedings and affairs of the board and its members and the company itself are properly administered.

The board satisfied itself regarding Sirkien van Schalkwyk's work experience, performance, technical skills and overall competence in fulfilling her role as Company Secretary at the previous meeting of the board (during which time she was excused from the meeting). She is a consultant and maintains an arm's length relationship with the board. She reports to the Chairman on all statutory duties and functions performed relating to the governing body.

The Company Secretary is accountable to the board to:

- Ensure that board procedures are followed and reviewed regularly;
- ensure applicable rules and regulations for the conduct of the affairs of the board are complied with;
- maintain statutory records in accordance with legal requirements;
- guide the board as to how its responsibilities should be properly discharged in the best interest of the company; and
- keeps abreast of, and informs, the board of current and new developments regarding best practice corporate governance thinking and practice.

## Governance framework

The group seeks to maintain strong corporate governance structures and processes by working within a clearly defined governance framework, thus enabling the delivery of sustainable growth to all our stakeholders. The governance framework promotes the establishment of a board sub-committee structure with the intention of supporting the board in the execution of its duties. The board has delegated specific authority to each sub-committee, while still enabling elective control as well as preserving its accountability. Roles and responsibilities for each committee are defined, and the board has approved terms of reference for the various sub-committees.

During the reporting period, formal board meetings were held bi-annually at five of the major subsidiaries, being Training Force Proprietary Limited, Babereki Employee Support Services Proprietary Limited and Telebest Holdings Proprietary Limited (incorporating Only the Best Proprietary Limited and Teleresources Proprietary Limited), Essential Employee Benefits Proprietary Limited and Workforce Healthcare Proprietary Limited. During the current financial year, bi-annual subsidiary board meetings for KBC Holdings Proprietary Limited, Qyun Group and the Workforce Staffing division will also be held.

Each subsidiary company has its own charter as well as other relevant policies, including, *inter alia*, delegation of authority, risk register and other relevant policies. Group policies such as the code of ethics and business conduct are also formally adopted at these meetings.

## Corporate governance report (continued)

### Board committees

Principle 9:

**The board should ensure that its arrangements for delegation within its own structures promote independent judgement and assists with balance of power and the effective discharge of duties**

Through our clear governance framework, the board has established specific committees to pay detailed attention to certain responsibilities. The committees are governed by terms of reference that have been approved by the board and serve to outline each committee's role, authority, responsibilities and accountability and include, *inter alia*, the following:

- Composition of the committee;
- tenure of the committee;
- delegated authority with respect to decision-making;
- meeting procedures, including the number of meetings per year; and
- arrangements for the evaluating of the committee's performance.

The terms of reference are subject to change as and when required by the board in order to accommodate the company's changing needs. Roles and associated responsibilities and the composition of membership across committees are considered holistically. All committees have a minimum of three members and, as a whole, have the necessary knowledge, skills, experience and capacity to execute their duties effectively. The Chairman of each board committee reports at each scheduled meeting of the board, and minutes of board committee meetings are provided to the board.

Both the Directors and the members of the board committees are supplied with full and timely information that enables them to properly discharge their responsibilities. All Directors have unrestricted access to all group information.

The Chairman of each board committee is required to attend annual general meetings to answer questions raised by shareholders.

### Audit and risk committee

In reviewing the committee composition during the year, it was decided that, due to the size of the company, the audit committee and risk committee would remain one committee. However, the agenda is divided into two separate sections so as to ensure that both audit and risk management responsibilities are attended to.

The Executive Chairman, Chief Executive Officer, Financial Director, partner of the external auditors and the internal auditor attend meetings by invitation. The board is satisfied that the independence, experience and qualifications of each member enable them to fulfil the committee's mandate. In addition to the quarterly meetings, the committee meets at least once a year with the company's internal and external auditors, without management being present.

The audit and risk committee meets at least four times a year and more if necessary. The committee roles and responsibilities, as well as its composition, are set out on the next page.

The committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period.

Refer to page 82 of the annual financial statements for the audit and risk committee report.

### Summarised roles and responsibilities of the audit and risk committee

- Providing the board with additional assurance regarding the efficiency and reliability of the financial information used by the Directors to assist them in the discharge of their duties
- Reviewing interim and annual financial statements, the integrated annual report and any other external reports issued by the organisation
- Overseeing the internal audit function
- Ensuring that significant business, financial and other risks have been identified and are being managed suitably
- Ensuring independence of external audit and overseeing the external audit process
- Ensuring good standards of governance, reporting and compliance are in operation
- Overseeing the group's risk management profile

### Independent members as at 31 December 2017

Independent members			Company Secretary
John Macey	Shelley Thomas	Kyansambo Vundla	Sirkien van Schalkwyk
Meeting attendance			
4/4	4/4	2/4	4/4



### Focus areas during 2017

- Enterprise risk management
- Internal controls
- Combined assurance
- Finance and integrated reporting
- Financial sustainability
- Implementation of King IV

### Performance during 2017

The Enterprise Risk Assessment (“ERA”) was conducted for all operating divisions/entities, to identify and assess business risks, culminating in the development of the risk registers

On an ongoing basis, the internal audit function evaluated the adequacy and effectiveness of the internal controls and reported the results to the committee, based on the approved internal audit plan. Effective corrective action was taken to correct any reported deficiencies in internal controls

A risk-based combined assurance framework was adopted and will be reviewed on an annual basis

A Financial Director’s report is included in the executive leadership review of this integrated annual report

Continued focus on financial sustainability metrics and feedback from management

The terms of reference were updated with the requirements of King IV as well as all policies falling under the ambit of the committee

### Planned areas of future focus

Conclusion of the enterprise-wide risk management process

Implementation of the results of the ERA and monitoring progress, through periodic reports

Conclusion of internal control documentation exercise

Continued focus on legal compliance, especially considering new legislation

Improved focus on fraud detection and prevention measures

### Group IS steering committee

Within the group, the group information systems (“IS”) steering committee is the governing body responsible for the governance of technology and information and sets the direction for how technology should be approached and addressed. The strategic intent of group information technology (“IT”) is documented and communicated in the group IT strategy and is aligned with the enterprise strategy.

The composition of the IT steering committee was reviewed and Martin Coetsee was appointed as Chairman with the committee comprising the Chief Executive Officer, the group Executive Chairman, the Financial Director and the heads of the four IT divisions. During the reporting period, David Bloch and Renisha Sewpersad resigned as members and Henry Sassenberg was appointed after the reporting period to replace Ms Sewpersad.

This committee meets formally at least four times a year to report on its duties in accordance with its terms of reference as approved by the board. The committee reports to the board via the audit and risk committee. The group IT Executive, Martin Coetsee also takes up the role of Chief Information Officer and provides feedback to the audit and risk committee.

The technology-related policies are approved by the group IS steering committee, in alignment with the Workforce Holdings standards initiative and the group IT strategy.

The committee has delegated oversight and the responsibility to implement effective technology, to the group IT Executive and his management team.



## Corporate governance report (continued)

### Summarised roles and responsibilities of group IS steering committee

- Adopt an IT strategy to be implemented once approved by the board
- Form an integral part of the company's risk management and identify such risks
- Review and adopt an IT terms of reference
- Ensure an ethical IT governance culture and awareness and of a common IT language
- Adopt and implement an internal IT control framework
- Exploit opportunities to improve the performance and sustainability of the company through the use of IT
- Oversee the value delivery on IT and monitor the return on investments on significant IT projects
- Ensure that intellectual property contained in information systems are protected
- Ensure that adequate business arrangements are in place for disaster recovery
- Ensure that the company complies with IT laws and IT-related rules, codes and standards
- Ensure that information assets are managed effectively, including information security and privacy
- Ensure that all personal information is treated by the company as an important business asset and is identified
- Ensure that an information security management system is developed and implemented
- Review and recommend to the board for approval any policies proposed by management and relevant to the areas of responsibility of the committee
- Give due consideration to the principles of governance and the code of best practice as contained in King IV

### Members as at 31 December 2017

Members							Company Secretary
Martin Coetsee <i>Chairman</i>	Andries Becker	Desmond Coertzen	Philip Froom	Ronny Katz	Keith Thomas	Willie van Wyk	Sirkien van Schalkwyk
Meeting attendance							
4/4 ▲	4/4 ▲	4/4 ▲	4/4 ▲	4/4 ▲	3/4 ▲	4/4 ▲	4/4 ▲

### Focus areas during 2017

- Focused on building foundation of core group IT systems and processes;
- Established the four IS functional departments
- Provided technology advice and oversight on all IS-related projects, including ICT
- Established group IT project management office and methodology

### Planned areas of future focus

Shift of focus from foundation building and establishing structures, to improving the systems design, architecture and development methodologies, applying good software engineering principles

Standardisation of various designs and architectures, including software development methodologies

Maturing the project delivery methodology and instilling it in the business' engagements with group IT

Implement database upgrades to address database integrity risks and operational challenges

Consolidate applications and focus efforts on the core solutions

Complete the migration of the company email services to a cloud-based solution

Maturing of the Microsoft active directory asset and identity management system, to include group policy and security controls

## Social and ethics committee

After the reporting period, Dawn Halsey stepped down as member of the committee, but will remain an invitee to committee meetings. Criag Katz was appointed as a member in his capacity as chairman of the transformation committee. The committee now comprises Shelley Thomas (Chairman), Craig Katz, Frieda Hall, Sean Momberg, Willie van Wyk and Philip Froom.

The social and ethics committee meets at least twice a year and more often if necessary. The committee roles and responsibilities as well as its composition are set out on the next page. The composition of the committee is being reviewed to align it to the recommendations of King IV.

### Summarised roles and responsibilities of the social and ethics committee

- Planning, implementing and monitoring the group's strategy for transformation
- Monitoring compliance with legislation
- Monitoring employment equity and fair labour practices
- Monitoring good corporate citizenship and the group's contribution to the development of communities in which it operates

### Members as at 31 December 2017

Members						Company Secretary
Shelley Thomas <i>Chairman</i>	Philip Froom	Frieda Hall	Sean Momberg	Willie van Wyk	Dawn Halsey	Sirkien van Schalkwyk
Meeting attendance						
3/3 ▲	3/3 ▲	3/3 ▲	3/3 ▲	2/3 ▲	3/3 ▲	3/3 ▲

### Focus areas during 2017

- Sustainable development
- Corporate social responsibility
- Ethics and business conduct
- Transformation
- Employee training and development
- Health and safety
- Regulatory compliance
- Implementation of King IV

### Performance during 2017

A group B-BBEE and Transformation Policy was adopted

Monitoring implementation and progress of transformation strategy by the Transformation Committee

Monitoring implementation of corporate social investment policy

A significant "group" CSI project, involving the refurbishment and expansion of a school in a disadvantaged area in the Klerksdorp area, was undertaken

Committee terms of reference were updated with the requirements of King IV and all policies falling under the ambit of the committee

Monitored management of ethics within the organisation

Monitored the implementation of the health and safety policy

Monitored investment in training and development of employees

## Corporate governance report (continued)

### Planned areas of future focus

Monitoring of transformation strategy execution

Monitoring of employment equity strategy implementation

Monitoring of consumer relationships

Monitoring of social and economic development

Monitoring of environment, health and safety

Monitoring of educational development of employees

### Transformation committee

The transformation committee reports to the board via the social and ethics committee. The committee met five times during the reporting period. The committee meets at least four

times a year. At the beginning of the year, the composition of the committee was reviewed and other than Craig Katz now being the Chairman, the composition of the committee remained unchanged.

### Summarised roles and responsibilities of the transformation committee

- Planning, implementing and monitoring the group's strategy for transformation
- Monitoring compliance with legislation
- Monitoring employment equity and fair labour practices
- Monitoring good corporate citizenship and the group's contribution to the development of communities

### Members as at 31 December 2017

Members							Company Secretary
Michelle Biggs	Michael Flemington	Dawn Halsey	Craig Katz	Tumelo Mmusi	Preshandhini Naidoo	Dianne Normans <i>Chairman</i>	Sirkien van Schalkwyk
Meeting attendance							
5/5 ▲	4/5 ▲	5/5 ▲	4/5 ▲	4/5 ▲	3/5 ▲	3/3 ▲	3/3 ▲

### Focus areas during 2017

- B-BBEE scorecard improvement
- Ownership
- Employment equity
- Skills development
- Enterprise and supplier development
- Socio-economic development

## Performance during 2017

Transformation policies developed and approved in 2017 and training on some of the policies was conducted in 2017

Appointment of transformation representatives per subsidiary to work directly with the Transformation Manager to achieve transformation targets

Training conducted for management of all group subsidiaries and their appointed transformation representatives

Establishment of B-BBEE targets in line with scorecard elements

Subsidiaries trained and educated on requirements to achieve their own B-BBEE targets

Workforce Holdings Limited achieved a Level 4 B-BBEE rating on the revised codes of good practice. The group's rating is based on the generic scorecard and includes all 100% owned subsidiaries of the group

## Planned areas of future focus

Develop transformation toolkit to educate staff on all aspects of transformation and the policies that drive transformation

Develop group-aligned transformation strategy with clearly defined goals and performance indicators

Measure transformation progress monthly, using B-BBEE scorecard elements as a tool for measurement

Train management on transformation goals and targets

Continue to assist subsidiaries to achieve and improve their B-BBEE targets

Group aims to maintain its Level 4 B-BBEE rating during 2018 while working towards achieving a Level 3 rating in 2019

### Employment equity committee

The committee reports to the board via the social and ethics committee. The following entities within the group have formally established employment equity committees in line with the Employment Equity Act:

- Allmed Healthcare Professionals Proprietary Limited
- Babereki Employee Support Services Proprietary Limited
- The Workforce Group Proprietary Limited (including seven divisions)
- Programmed Progress Outsourcing Proprietary Limited
- Nursing Emergencies Proprietary Limited
- Only The Best Proprietary Limited
- Teleresources Proprietary Limited
- Prisma Training Solutions Proprietary Limited
- Training Force Proprietary Limited
- Workforce Health Care Proprietary Limited
- Sizuluntu Staffing Solutions Proprietary Limited

- Quyn International Outsourcing Proprietary Limited
- Molapo Quyn Outsourcing Proprietary Limited
- KBC Holdings Proprietary Limited
- Fempower Personnel Proprietary Limited.

Refer to page 37 for focus areas of the committee.

### Corporate social investment committee

A corporate social investment committee was established during the reporting period, focusing not only on individual and subsidiary initiatives, but also on group initiatives. It is the policy of the company to spend one percent of net profit after tax on corporate social initiatives and this will be implemented during the current financial year.

The committee will meet a minimum of four times per annum and report to the social and ethics committee via the transformation committee. Refer to page 37 for focus areas of the committee.

## Corporate governance report (continued)

### Remuneration and nomination committee

In reviewing the committee composition during the year, it was decided that, due to the size of the company, the remuneration committee and nomination committee would remain one committee.

During the reporting period, Mark Anderson was replaced by Shaun Naidoo as the new shareholder representative and consequently as member of the committee.

The remuneration and nomination committee meets at least twice a year and more if necessary. The committee's roles and responsibilities, as well as its composition are set out below. The Executive Chairman and Chief Executive Officer attend meetings as standing invitees.

Refer to page 65 for the remuneration report by the remuneration and nomination committee.

### Summarised roles and responsibilities of the remuneration and nomination committee

- Identifying and nominating new directors for approval by the board
- Ensuring that appointments to the board are formal and transparent
- Approving the classification of directors as independent
- Overseeing induction and training of directors and conducting annual performance reviews of the board and board committees
- Overseeing an appropriate separation between Executive, Non-Executive and Independent Directors
- Ensuring proper and effective functioning of the group's board committees
- Reviewing the board's structure, the size and composition of the various board committees and making recommendations
- Overseeing the remuneration philosophy and practices
- Overseeing and monitoring of the Workforce share appreciation rights scheme

### Members as at 31 December 2017

Members				Company Secretary
Kyansambo Vundla <i>Chairman</i>	Mark Anderson*	John Macey	Shaun Naidoo	Sirkien van Schalkwyk
Meeting attendance				
4/4 ▲	4/4 ▲	2/4 ▲	1/1 ▲	4/4 ▲

### Focus areas during 2017

- Implementation of King IV
- Aligning bonus payments of staff to the same period

### Planned areas of future focus

Refining the remuneration policy, report and implementation of the report

Replacing the Long Term Incentive Scheme ("LTIP") to suit the changing needs of the group

Updating the groups leave policies

\* Resigned as Non-Executive Director, appointed as Alternate Director to Shaun Naidoo, 26 June 2017.

## Investment committee

In line with the acquisition strategy of the group, an ad hoc investment committee was established towards the end of December 2017 to consider further acquisition opportunities prior to presenting this to the board. The members are John Macey (Chairman), Ronny Katz, Philip Froom, Willie van Wyk and Shaun Naidoo.

## Evaluation

▶ Principle 10:

**The board should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness**

The board assumes responsibility for the evaluation of its own performance and that of its committees, its Chairman and its individual members. The board elected to conduct this evaluation every second year. No evaluations were conducted during the reporting period and will only be done in the current financial year.

## Insider trading

No employee of the group may deal directly or indirectly in the company's shares based on unpublished price-sensitive information regarding business. No Director or officer of the group may disclose trade information regarding business. Directors or officers of the group are precluded from trading in the shares of the group during a closed period or prohibited period, as determined by the board. Notification to this effect is sent to the group. The price sensitive information group policy was reviewed during the reporting period.

Any Director wishing to trade in ordinary shares of the company, must obtain clearance from the Chairman of the board or, in his absence, the Chief Executive Officer. The Directors keep the Company Secretary advised of all their dealings in securities and details of dealings are placed on SENS in line with the JSE Listings Requirements.

## Governance functional areas

### Risk management

▶ Principle 11:

**The board should govern risk in a way that supports the group in setting and achieving its strategic objectives**

The focus of risk management in Workforce is on identifying, assessing, mitigating, managing and monitoring all known forms of risk across the group. Management is involved in a continuous process of developing and enhancing its comprehensive systems for risk identification and management. The board assumes overall responsibility for the governance of risk by setting direction for how risk should be approached and addressed. The top risks are presented and discussed on a quarterly basis and are considered when making decisions.

Management throughout the group are responsible to implement and execute effective risk management.

The risks to the business encompass areas such as the global IT component and product prices, exchange rates, political and economic factors, local and international competition, legislation and national regulations, interest rates, people skills, and general operational and financial risks. The major risks are the subject of the ongoing attention of the board, and are given particular consideration in the annual strategic plan, which is approved by the board.

The management of operational risk is a line function, conducted in compliance with a comprehensive set of group policies and standards to cover all aspects of operational risk control. Performance is measured on a regular basis by means of both self-assessments and audits by independent consultants. In addition, the group promotes ongoing commitment to risk management, and control by participating in externally organised risk management and safety systems.

Currently only the annual financial statements are independently assured by the external auditors.

## Technology and information governance

▶ Principle 12:

**The board should govern technology and information in a way that supports the group setting and achieving its strategic objectives**

The board assumes responsibility for the governance of technology and information by setting the direction for how technology and information should be approached. This is achieved through the working of the group IS steering committee, reporting in terms of the following four IT divisions:

- ICT infrastructure;
- IT projects;
- software development; and
- enterprise architecture.

The group IT function ensures the integration of people, technology, information and processes across the group.

## Corporate governance report (continued)

Technology and information risks are integrated into one IT risk register and reported on quarterly. The external auditors conducted an audit on the IT systems and findings were addressed and recommendations implemented during the reporting period.

### Compliance governance

▶ Principle 13:

**The board should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the group being ethical and a good corporate citizen**

The board assumes responsibility for the governance of compliance with applicable laws and adopted, non-binding rules and codes of standards. This function is delegated to the social and ethics committee with financial compliance overseen by the audit and risk committee.

Subsidiary companies, divisions and other entities have a dedicated individual taking ownership of compliance and reports to the group Financial Director. Relevant training is provided to these employees to not only understand the obligations, but also the rights and protection it affords. The group also outsources their legal work to Hunts Attorneys which is assisting the company with a compliance framework throughout the group to ensure compliance to all relevant legislation and regulations. Independent assurance on the effectiveness of compliance would be considered once the compliance framework was fully implemented.

Entities in the financial services segments have full-time compliance officers to ensure compliance with financial services related legislation and submit the necessary reports to the authorities.

No penalties were paid during the reporting period for non-compliance with any statutory obligation. The compliance framework will be implemented during the current financial year.

### Assurance

▶ Principle 14:

**The board should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the group's external reports**

A new combined assurance framework was adopted during the reporting period. This was aligned with the risks identified by the group to consider whether additional assurance in relevant risk areas were required.

The committee was satisfied that the current combined assurance model was applied and which incorporates and optimises the various assurance services and functions so that, taken as a whole, support the objectives of assurance.

### Internal audit

The internal audit department at Workforce serves an independent appraisal function, and its primary mandate is to examine and evaluate the effectiveness of the applicable operational activities, the attendant business risks, including those that arise subsequent to the year-end, and the systems of internal financial control, so as to bring material deficiencies, instances of non-compliance and development needs to the attention of the audit and risk committee, external auditors and operational management for resolution. Specialist services such as forensic fraud examiners are assisting the internal audit function as and when required.

Internal audit is an independent, objective assurance activity to add value and improve the group's operations. It helps the group accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, controls and governance processes.

It provides:

- assurance that the management processes are adequate, so as to identify and monitor significant risks;
- confirmation of the adequacy and effective operation of the established internal control system; and
- credible processes for feedback on risk management and assurance.

Kelvin Mooya is the Chief Internal Auditor ("CIA") and is responsible for the arrangements of internal audit and he reports directly to the audit and risk committee Chairman and administratively to the Financial Director. Kelvin Mooya is not a member of the executive management, but attends meetings as and when required. An internal audit charter is approved and an internal audit plan for the current financial year. A three-year internal audit plan is being developed to ensure that all areas within the group will be covered until 2020.

The internal audit function makes its reports available to the external auditors so as to ensure proper coverage and to minimise the duplication of effort. Internal audit plans are tabled periodically to take account of changing business needs. Follow-up audits are conducted in areas where weaknesses are identified.

The internal audit plan for the current financial year, approved by the audit and risk committee, is based on risk assessments, which are of a continuous nature so as to identify not only existing and residual risks, but also emerging risks and issues highlighted by the audit and risk committee and senior management.



## Stakeholder relationships

▶ Principle 16:

**In the execution of its governance role and responsibilities, the board should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interest of the board over time**

Workforce's investor relations programme includes communications with shareholders through interim and annual reports, meetings and presentations.

It is the policy of the group to pursue dialogue with institutional investors based on constructive engagement and the mutual understanding of objectives, taking due regard of statutory, regulatory and other directives, regulating the dissemination of information by companies and by their Directors. To achieve this dialogue, presentations are made to analysts, investors and the press, and some one-on-one meetings are held with investors and analysts to communicate the strategy and performance of the group. The quality of this information is based on the standards of promptness, relevance and transparency.

Workforce makes every effort to ensure that information is distributed through an appropriate range of communication channels to ensure the security and integrity of the information and that critical financial information reaches all shareholders simultaneously.

The board accepts its duty to present a balanced and understandable assessment of the group's position in reporting to shareholders, taking into account the circumstances of the communities in which it operates and the greater demands for transparency and accountability regarding non-financial matters. The quality of the information is based on the principles of openness and substance over form. Reports address material matters of significant interest and concern to all stakeholders and present a comprehensive and objective assessment of the group, so that all stakeholders with a legitimate interest in the group's affairs can obtain a full, fair and honest account of its performance.

The board ensures that shareholders are equitably treated and that the interests of minority shareholders are adequately protected. The board encourages shareholders to attend the annual general meeting on 7 May 2018 to engage with the board and management.

## Remuneration and nomination committee report

In reviewing the committee's composition during the year, it was decided that, due to the size of the company, the remuneration committee and nomination committee would remain one committee.

### Appointment of Directors to the board

Apart from a candidate's experience, availability and likely fit, the committee also considers the candidate's integrity, as well as other directorships and commitments to ensure that the candidate will have sufficient time to discharge his/her role properly. The remuneration and nomination committee also considers race and gender diversity in its assessment in line with its gender diversity policy and appointment of Directors to the board policy. This policy was being updated to include a target for appointments in terms of race.

### Remuneration and nomination committee members

During the reporting period, Mark Anderson was replaced by Shaun Naidoo as the new shareholder representative and consequently as member of the committee. Both attended the meeting in August 2017 to ensure a smooth handover.

The committee therefore comprises the following at the date of this report:

Name	Position	Qualification	Experience
Kyansambo Vundla	Independent chairman	<i>BCom, HDip ACC CA(SA)</i>	Over 15 years of experience in finance and financial management
Shaun Naidoo	Non-Executive member	<i>CA(SA), MBA</i>	Execution of corporate transactions, B-BBEE structuring, balance sheet restructuring, valuations, IFRS and tax advisory and capital raising
John Macey	Independent member	<i>BBusSci (Hons), BCom (Hons), CA(SA)</i>	Over 30 years of experience in finance and financial management

During the period under review, the following meetings were held and the attendance of the meetings was as follows as at 31 December 2017:

	22 March 2017	23 August 2017
<b>Remuneration committee</b>		
Kyansambo Vundla	apology	apology
John Macey	✓	✓
Mark Anderson*	✓	✓
Shaun Naidoo**	n/a	✓
<b>Invitees</b>		
Executive Chairman	✓	✓
Chief Executive Officer	✓	✓
Company Secretary	✓	✓

\* Resigned as Director and appointed Alternate Director to Shaun Naidoo on 26 June 2017.

\*\* Appointed on 26 June 2017.

The chairman of the board is not eligible for appointment as chairman of the committee and Ronny Katz is only an invitee. The Lead Independent Director, John Macey, is a member of the committee and will preside as chairman when the committee fulfils its oversight responsibilities on nomination matters and board/director interactions.

During the reporting period, Kyansambo Vundla had unplanned commitments and could not attend any meetings during this period. John Macey chaired both meetings for the reporting period and will sign the report on behalf of the committee. In evaluating the committee composition, Kyansambo indicated her availability to the company and will remain chairman of the remuneration and nomination committee.

### Committee evaluation

The board agreed to adopt the King IV recommended practice to only evaluate the board and sub-committees every second year. Consequently, the committee was not evaluated during the reporting period. An evaluation will be conducted during 2018 and the results will be included in the 2019 remuneration report.



**John Macey**

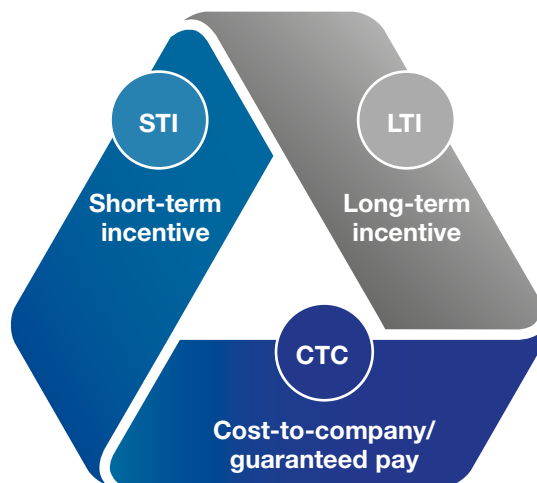
*Acting chairman of the remuneration and nomination committee*

14 March 2017

## Remuneration policy

### Background statement

The group's remuneration policy aims to attract, retain and motivate skilled and performing employees to execute the group's strategy. The group offers an integrated remuneration and reward model, which comprises of:



Due to the diversified and decentralised business model, the group has different remuneration models for senior management. Workforce currently does not benchmark its remuneration percentiles formally. Workforce anticipates making use of a formal service provider for the benchmarking salaries of executive and senior managers for the 2018 financial year.

### Remuneration structure

Element	Cost-to-company		Variable pay	
	Base pay	Benefits	STI	LTI
<b>Workforce Group</b>	<ul style="list-style-type: none"> <li>Monthly salary</li> <li>Hourly wage</li> </ul>	<ul style="list-style-type: none"> <li>Medical aid</li> <li>Provident fund</li> <li>Funeral benefit</li> <li>Travel allowance</li> </ul>	<ul style="list-style-type: none"> <li>Annual incentive</li> <li>Bonus scheme</li> <li>Profit share</li> </ul>	<ul style="list-style-type: none"> <li>Share appreciation rights</li> <li>Performance shares</li> </ul>
<b>Objective</b>	<ul style="list-style-type: none"> <li>Retention and attraction</li> </ul>	<ul style="list-style-type: none"> <li>Retention in terms of the comprehensiveness of benefits offered</li> <li>Attraction to offer similar benefits to prospective employees</li> </ul>	<ul style="list-style-type: none"> <li>Reward company and group performance</li> <li>Reward individual performance</li> <li>Retention/attraction recognition</li> </ul>	<ul style="list-style-type: none"> <li>Reward company and group performance</li> <li>Reward individual performance</li> <li>Retention/attraction recognition</li> <li>Recognition of group's long-term success</li> </ul>

### Short-term incentive

The group awards management and most salaried employees an annual performance incentive. The actual value awarded is subject to the achievement of pre-determined thresholds relating to the performance and position of the group, cluster, segment and individual performance during the reporting period.

The Executive Directors are appraised against a clear set of objectives and key performance indicators to ensure they are remunerated fairly and responsibly. Executive Directors and Senior Managers are measured and remunerated according to their alignment, achievement and contribution to the group's strategy, financial performance, segment performance and individual performance.

In its evaluation of performance of individuals, the remuneration and nomination committee considers external and internal factors that may have contributed to the thresholds not being met. The committee may from time to time consider discretionary short-term bonuses for an individual or segment.

All payments in terms of the qualitative portion of the short-term incentive scheme are based on audited year-end results. The bonus paid out therefore always relates to the results of the previous year.

### Long-term incentive

The long-term incentive plan ("LTIP") forms part of the variable compensation and is used to attract, retain and motivate employees who influence the long-term sustainability and strategic objectives of the group. The purpose is to foster sustainable performance or value creation over the long-term, which is aligned to the group's strategy and which enhances stakeholder value. Its main characteristic is the promise to deliver value over a future vesting period, once performance criteria are met or exceeded.

The board mandated the remuneration and nomination committee to review the LTIP going forward to ensure that it still meets the objectives set and subsequently a new scheme is being considered.

### Policy on Director's fees and remuneration

The Directors are appointed to the board to bring competencies and experience appropriate to achieving the group's objectives.

### Increases

During the reporting period, the increases of all employees, who have been employed for more than a year, was aligned to be paid in July of every year, commencing July 2017. Previously, increases were paid in the anniversary month of the employee. New employees receive their first increase on their anniversary date and thereafter receive increases in July of every year and appropriately pro-rated where applicable.

At an individual employee level, the annual CTC increases are determined by the individual's pay relative to the band he/she is in, as well as the performance of the individual in the role. The average increase for 2017 was 6%, payable to employees subject to a performance evaluation.

### Non-Executive Directors

It is the group's policy to identify, attract and retain Non-Executive Directors who can add significant value to Workforce. The board applies principles of good corporate governance relating to Directors' remuneration and also keeps abreast of changing trends. Governance of Directors' remuneration is undertaken by the committee.

The committee takes cognisance of market norms and practices as well as additional responsibilities placed on the board members by new legislation and corporate governance principles.

The fees for Non-Executive Directors is excluding Value Added Tax ("VAT") and is recommended by the committee and will be approved by the shareholders at the annual general meeting in May 2018.

Non-Executive Directors receive a base fee for their main board membership and an attendance fee per meeting. Board members only receive fees for meetings they attend. An ad hoc hourly fee was introduced to ensure that special attention be given to actions outside of the normal responsibilities that require time and attention by Non-Executive Directors.

The policy on remuneration for Non-Executive Directors is that this should:

- Be market-related (having regard to the median fees paid and number of meetings attended by non-executive directors of companies of similar size and structure to similar sectors); and
- not be linked to the share price of Workforce.

A formal benchmark for Non-Executive Directors will be conducted during 2018. The group pays for all travel and accommodation expenses incurred by Directors to attend board and committee meetings.

Non-Executive Directors do not receive bonuses or share options. The company recognises that this can create potential conflict of interest and can impair the independence which Non-Executive Directors are expected to bring to bear in decision-making by the board.

## Remuneration policy (continued)

### Focus areas of the committee during 2017

- Implementation of King IV
- Aligning bonus payments of staff to the same period

### Delivery 2017

The terms of reference and policies were updated during the reporting period

All increases are now aligned and paid during July of every year

### Planned areas of future focus

Revision of the remuneration policy to ensure that it is aligned to the group's strategy and to make recommendations where appropriate

A revised LTIP that takes shortcomings in the current scheme into account will be considered by the new board and presented to shareholders for approval in due course

Formal benchmarking for Executive and Non-Executive Directors

Maturing in terms of the disclosure of the remuneration report

## Remuneration implementation report

Shareholders will be requested to approve a 6% increase for 2018 as set out in the notice of annual general meeting on page 147.

The remuneration implementation report details the outcomes following the implementation of the approved remuneration policy detailed on pages 66 to 67 of the integrated annual report.

### 2017 total cost of employees ("TCOE") increases

The TCOE salaries for Executive Directors, as stated on pages 132 to 133 of the audited financial statements, and other employees of the group have been increased as follows effective 1 July 2017:

	TCOE % increase
Executive Chairman	13,6
Chief Executive Officer	156
Financial Director	3,6
Prescribed officers*	10,3

\* Prescribed officers in this definition only include the top three remunerated subsidiary directors.

Note: Comparative figures will be included in the 2018 integrated annual report.

Refer to note 25.5 on page 132 for a detailed breakdown of the remuneration of the Executive Directors and the top three prescribed officers\*.

The TCOE as earned by Executive Directors and prescribed officers for the period 2017 are as follows:

	2017 TCOE R'000
Executive Directors	9 905
Prescribed officers*	11 774

\* Prescribed officers in this definition only include the top three remunerated subsidiary directors.

Note: Comparative figures will be included in the 2018 integrated annual report.

### 2017 annual incentive bonus

The awarding of annual incentive bonuses for the year ended 31 December 2017 were in line with the group's remuneration policy and stipulated allocation levels, which payments have been detailed at page 132 of the integrated report under note 25.5 "Director and prescribed officer's remuneration".

The total short-term incentives ("STI") payable to members of the Executive Directors and the prescribed officers are as follows:

	2017 annual incentive bonus R'000
Executive Directors	1 225
Prescribed officers*	2 925

\* Prescribed officers in this definition only include the top three remunerated subsidiary directors.

Note: Comparative figures will be included in the 2018 integrated annual report.

### 2017 Long-term incentives ("LTI")

The awarding of long-term retention incentives as issued in 2015 vested in February 2017 and was in line with the group's remuneration policy and stipulated allocation levels. Details appear on pages 132 to 134 of this integrated report under note 27.1 "Director and prescribed officer's remuneration".

The LTI total remuneration of the Executive Directors and prescribed officers' for the period 2017 can be illustrated as follows:

	2017 LTIP payments R'000
Executive Directors	446
Prescribed officers*	891

\* Prescribed officers in this definition only include the top three remunerated subsidiary directors.

Note: Comparative figures will be included in the 2018 integrated annual report.

### Non-Executive Directors' remuneration

The participation of Non-Executive Directors in the group is essential to the group achieving its strategic objectives and Non-Executive Directors' fees are therefore recommended by the Executive Directors and remuneration and nomination committee with this in mind.



## Remuneration implementation report (continued)

In accordance with the Companies Act, 2008 as amended and the company's memorandum of incorporation, Non-Executive Directors' fees are approved by the shareholders at the annual general meeting. The current fee levels are approved by shareholders at the annual general meeting to be held on May 2018 and is stated on page 147 of the notice of annual general meeting included in this integrated annual report.

The total amount spent on Non-Executive Directors' fees for 2017 and 2016 (excluding VAT) are as follows:

	<b>2017 Non-Executive Directors' fees R'000</b>	2016 Non-Executive Director fees R'000
Non-Executive Directors' fees	<b>613</b>	571

### Directors' service contracts

There are no fixed-term service contracts for Executive or Non-Executive Directors. The remuneration and nomination committee reviewed the employment contracts of the Executive Chairman, group Chief Executive Officer and group Financial Director and found this to be still appropriate to meet the needs of the company. Notice periods for these Executive Directors are three months.

## Social and ethics committee report

### Performance for 2017

This report is prepared in compliance with the requirements of the Companies Act, and describes how the committee discharged its responsibilities in respect of the financial year ended 31 December 2017, and will be presented to the shareholders at the annual general meeting to be held on 7 May 2018.

### Social and ethics committee members

Subsequent to year-end, Craig Katz, the new transformation committee chairman, was appointed as a member of the committee and Dawn Halsey stepped down as a member.

The committee therefore now comprises the following members as at the date of the report:

Name	Position	Qualification	Experience
Shelley Thomas	Independent member	<i>BComp Post Graduate Diploma in Accounting, CA(SA)</i>	Over 25 years of experience in finance and auditing
Philip Froom	Chief Executive Officer	<i>BCom Honours (Taxation), CA(SA), CFA</i>	Over 17 years of experience in leadership and finance
Frieda Hall	Corporate Affairs Executive		Over 30 years of experience in corporate communications
Craig Katz	Mergers and Acquisition Executive	<i>BComm, BAcc CA(SA)</i>	24 years' experience in corporate finance, private equity and operation
Sean Momberg	Managing Director: Workforce Staffing		30 years' experience in sales management and 20 years' experience in TES
Willie van Wyk	Financial Director	<i>CA(SA)</i>	Over 20 years' experience in finance

During the period under review, the following meetings were held and the attendance of the meetings as at 31 December 2017:

Members	23 February 2017	4 July 2017	17 November 2017
Shelley Thomas (Chairman)	✓	✓	✓
Frieda Hall	✓	✓	✓
Dawn Halsey	✓	✓	✓
Sean Momberg	✓	✓	✓
Philip Froom	✓	✓	✓
Willie van Wyk	✓	apology	✓
<b>Invitees</b>			
Group Human Resources	✓	✓	✓
Group Transformation Manager	✓	✓	✓
Group Employment Equity Manager	n/a	✓	✓
Group Health and Safety Representative	✓	✓	✓
Company Secretary	✓	✓	✓

N/A – not appointed yet.

## Social and ethics committee report (continued)

### Focus areas during 2017

- Supplier and enterprise development
- Corporate social investments
- Implementation of King IV
- Transformation

### Performance during 2017

Maintain benefit from current enterprise development beneficiary, Qunu Workforce, through interest-free loans as well as support with overhead costs (free rental space, utilities, advertising and marketing, etc)

A group B-BBEE and transformation policy was adopted for implementation by the transformation committee

A large “group” project was taken on involving the refurbishment and expansion of a school in a disadvantaged area in the Klerksdorp area

The terms of reference were updated with the requirements of King IV and all policies falling under the ambit of the committee

### Planned areas of future focus

Transformation strategy implementation

Employment equity strategy implementation

Diversity management

B-BBEE scorecard improvement

Social and economic development

Stakeholder engagement

Health and safety

Implementation of the group transformation and B-BBEE policy

### Responsibilities of the committee

The social and ethics committee terms of reference were updated with the requirements of King IV. In accordance with the terms of reference and annual work plan, the committee fulfils the functions and responsibilities assigned to it in terms of the company’s compliance with the applicable requirements of Regulation 43 of the South African Companies Act, the company’s activities in relation to relevant legislation and prevailing codes of best practice and such other functions as may be assigned to it by the board from time to time in order to assist the board in ensuring that the group remains a responsible corporate citizen.

The key objectives and responsibilities of the committee, which are aligned with the committee’s statutory functions as set out in the Companies Act, form the basis of its annual work plan, and include the following:

- Social and economic development
- the group’s standing relative to the United National Global Compact Principles, the OECD recommendations regarding the combating of corruption and human rights violations
- Compliance with the Employment Equity Amendment Act, 47 of 2013 and the B-BBEE Act, 53 of 2003 and associated codes of good practice

- Good corporate citizenship, including the group's contribution to the development of communities in which it operates or markets its goods to and the group's record of sponsorships, donations and charitable giving
- Good corporate citizenship, including the group's positioning and efforts in promoting equality, preventing unfair discrimination and combating corruption
- Promotion of equality, transformation and preventing unfair discrimination, through its code of conduct and business ethics and other social responsibility policies and strategies
- The environment, health and public safety, including the impacts of the group's activities and products on the environment and society
- Consumer relationships, including the group's advertising, public relations and compliance with consumer protection laws
- Labour and employment, including the group's standing relative to the ILO protocol on "decent work" and working conditions, and the group's employment relationships and contribution to the educational development of its employees
- Generally, the monitoring of the social, ethics, economic, governance, employment and environmental activities of the group against internationally recognised human rights principles and other relevant best practice standards.

During the reporting period, the social and ethics committee's work plan focused on:

- Regulatory compliance
- Sustainable development
- Corporate social responsibility
- Ethics and business conduct
- Transformation:
  - B-BBEE
  - Employment equity
  - Skills development
  - Preferential procurement
  - Enterprise and supplier development.

## Ethics and business conduct

The group's code of business conduct which embodies our guiding principles and values, was reviewed during the year and confirmed to be relevant and effective.

The company's "whistleblower and whistleblower protection policy", implemented during 2013, was reviewed during the year and confirmed to be relevant and effective, providing an appropriate balance between encouraging reporting and discouraging malicious and frivolous reporting.

Also reviewed and confirmed to be appropriate was the group's "Anti-fraud, theft, corruption, cyber-crime and associated internal irregularities policy" that encourages ethical conduct

and requires all employees to act honestly and with integrity at all times, to safeguard the group's reputation and to protect company resources.

## Labour

Our employment equity policy embodies our commitment to implementing employment equity across the group. During the year under review, further attention was given to ensure our compliance with the Employment Equity Act and a revised recruitment policy, aimed at improving employment equity within the group through the reduction of deviated appointments was adopted.

Skills development remains an area of focus and the various skills development programmes undertaken by the group are reported on more fully on page 37 of this integrated annual report.

## Socio-economic development

The group's commitment is to foster good relations with the communities in which we operate, and continues to pursue its business philosophy which is to draw the staff it needs from the local communities in which it operates and in so doing provides much needed employment and other socio-economic benefits to local communities.

## Transformation

Workforce remains focused on achieving its transformation goals and objectives. A Transformation Manager, appointed in 2016, is mandated to ensure implementation of strategies and achievement of transformation across all operating divisions of the organisation and in line with the amended B-BBEE codes of good practice.

The transformation committee focused on the following areas and are in the process of establishing a strategy per pillar for implementation:

- B-BBEE scorecard
- Ownership
- Employment equity
- Skills development
- Enterprise and supplier development
- Socio-economic development.

During the reporting period, Workforce Holdings Limited achieved a Level 4 B-BBEE rating.

## Stakeholder management

The stakeholder engagement framework outlines the group's guiding principles for stakeholder engagement which are congruent with the values espoused in the group's formal code of business conduct. In Workforce's decentralised business environment, business units can use these principles to guide and govern their stakeholder engagement processes.

## Social and ethics committee report (continued)

Formalisation of the group's stakeholder engagement plan remained an agenda item.

Refer to page 40 for details regarding stakeholders engaged during the reporting period.

### Sustainability

The sustainability framework and the associated pillars which apply to all our operating divisions and within which the group's sustainability journey will be managed, is currently under review by the Chief Executive Officer, Philip Froom, in order to embed sustainability into the organisation, and to ensure further integration into the group's corporate strategies together with the establishment of operational performance indicators.

### Environment

The group has an approved environmental policy, which aims to reduce the negative environmental impacts of the group's

trading entities. Monitoring, measuring and reporting on the group's impact on the environment was not formalised during the year and has been included in the committee's work plan for the next reporting period.

### Evaluation of committee performance

In line with King IV, the board and sub-committees agreed to only evaluate the board and its sub-committees every second year. As such, no evaluation was conducted for the reporting period, and the results of the evaluation to be conducted during 2018 will be included in the 2018 integrated annual report.



**Shelley Thomas**

*Social and ethics committee Chairman*

14 March 2018

# Annual financial statements

## Directors' responsibility statement

The Directors are responsible for the preparation and fair presentation of the company and group annual financial statements, comprising the Directors' report, statements of financial position at 31 December 2017, and the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, a summary of significant accounting policies and the notes to the financial statements, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act.

The Directors' responsibility includes: Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management as well as the preparation of the supplementary schedules included in these financial statements. The Directors have made an assessment of the company's and group's ability to continue as a going concern and have no reason to believe the business will not be a going concern in the year ahead.

The Directors have reviewed the group's cash flow forecast for the year to 31 December 2018 and, in light of this review and the current financial position, they are satisfied that Workforce Holdings Limited and its subsidiaries have, or have access to, adequate resources to continue in operational existence for the foreseeable future and have continued to adopt the going concern basis in preparing the financial statements.

The auditor is responsible for reporting on whether the annual financial statements are fairly presented in accordance with the applicable financial reporting framework.



## Directors' approval

The Directors acknowledge and accept full responsibility for the preparation and integrity of the information presented in the company and group annual financial statements for the year ended 31 December 2017.

The company and group annual financial statements of Workforce Holdings Limited, which have been prepared in accordance with the Companies Act, and comply with International Financial Reporting Standards, were approved by the Board of Directors on 14 March 2018 and are signed on their behalf by:



**Ronny Katz**  
*Executive Chairman*



**Philip Froom**  
*Chief Executive Officer*



**Willie van Wyk**  
*Financial Director*

## Declaration by the Company Secretary

In terms of section 58(2) of the Companies Act, and Companies Regulations 2011 ("the Act"), I certify that, to the best of my knowledge, Workforce Holdings Limited has lodged with the Registrar of Companies, all such returns as are required of a public company in terms of the Act and further, that such returns are true, correct and up to date.



**Sirkien van Schalkwyk**

*Company Secretary*

Johannesburg

14 March 2018

## Independent auditor's report

To the shareholders of Workforce Holdings Limited

### Report on the audit of the consolidated financial statements

#### Opinion

We have audited the consolidated financial statements of Workforce Holdings Limited and its subsidiaries ("the group") set out on pages 91 to 140, which comprise the statement of financial position as at 31 December 2017, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the consolidated financial statements, including significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Workforce Holdings Limited and its subsidiaries as at 31 December 2017, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated financial statements section of our report. We are independent of the group in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors ("IRBA Code") and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p><b>Impairment of trade receivables and advances</b></p> <p>As disclosed in note 6, the carrying value of trade receivables excluding advances amounted to R505 million and the carrying value of advances amounted to R188 million. We identified the valuation/impairment of trade receivables and advances as representing a key audit matter due to the significance of the balance to the financial statements as a whole, combined with the judgement associated with determining the recoverability of these balances and more specifically the advances due to the risks associated in the unsecured short term lending environment given the nature of the advance and general economic conditions.</p> <p>Significant judgement is required by the Directors in determining if an impairment exists. Trade receivables excluding advances are analysed on a debtor by debtor basis whereas the impairment of advances is based on a methodology which takes into account the various categories of indebtedness within the non-performing loan book.</p>	<p>Our procedures on the impairment of trade receivables excluding advances focused on the completeness of the impairment through assessing amounts recovered subsequent to year end and payment history, with particular focus on receivables past their due date. Special consideration was given to one particular debtor with a significant balance of R31,8 million. We found that the impairment raised was appropriate.</p> <p>With regards to advances, we focused our testing on the methodology and key assumptions within this methodology made by the Directors. Our audit procedures included:</p> <ul style="list-style-type: none"> <li>■ validating the assumptions applied and inputs in the respective models by comparing it to historical information; and</li> <li>■ subjecting the key assumptions to sensitivity analyses.</li> </ul> <p>We found the models and assumptions applied in the impairment assessments to be appropriate and concur with the impairment level raised.</p>

Key audit matter	How our audit addressed the key audit matter
<p><b>Current and deferred taxation</b></p> <p>There are various complexities relating to the treatment and recognition of taxation (note 15) and deferred taxation (note 4), in particular the group receives significant tax benefits due to Employment Tax Incentives (“ETI”) and s12H learnership allowances. Furthermore, the group has a deferred tax asset of R44 million, of which R18 million relates to tax losses. The Directors assess and only raise the deferred tax asset if the applicable entity is expected to generate sufficient taxable profits in the foreseeable future against which these tax losses can be utilised. As a result, deferred taxation is considered a key audit matter due to the judgement arising from the considerations relating to the calculation and recognition of deferred tax balances and the materiality of the balances in relation to the financial statements as a whole.</p>	<p>Our procedures focused on evaluating the Directors’ determination of the estimated manner in which the timing differences would be realised by comparing this to evidence obtained in respect of other areas of the audit, such as cash flow forecasts, minutes of Directors’ meetings and our knowledge of the business.</p> <p>We assessed the presentation and disclosure in respect of tax-related balances in the consolidated financial statements and considered whether the disclosures reflected the risks inherent in the accounting for the tax balances.</p> <p>We concurred with the Directors’ determination of the estimated manner in which timing differences will be realised. The disclosure was found to be appropriate.</p>
<p><b>Information systems general control environment</b></p> <p>Information systems are seen as an integral element of the operations of the group. Through the testing of general IT controls in the prior year audit, we obtained audit evidence that elements of the general IT control environment were not functioning effectively. The increased level of risk associated with the internal control environment caused us to modify our planned audit approach in the prior year audit. Testing of the general IT controls in the current year has indicated that significant measures have been instituted in order to correct the deficiencies identified in the prior year. Due to the implementation of these measures taking place during the current year we have maintained our increased level of risk associated with the internal control environment for the audit of the current year.</p>	<p>Our audit procedures were designed in such a manner so as to limit the reliance placed on the functioning of the general IT control environment. The nature and extent of our audit procedures was adapted in order to obtain assurance which reduced our audit risk to an acceptable level, taking into account the increased assessed control risk.</p> <p>We consider the audit evidence obtained from the adapted audit approach to be sufficient and appropriate.</p>
<p><b>Impairment of goodwill and intangible assets</b></p> <p>Goodwill and certain intangible assets arise as a result of acquisitions by the group. The goodwill within the group amounts to R134 million. The Directors conducted their annual impairment test to assess the valuation of the goodwill and to consider whether there are indicators of impairment with respect to other intangible assets. In order to establish whether an impairment exists, fair value less costs to sell or the value in use of the identified cash-generating unit is determined and compared to the net book value of the goodwill and other intangible assets.</p> <p>As detailed in note 2, this determination of an impairment is highly subjective as significant judgement is required by the Directors in determining the fair value less costs to sell or the value in use as appropriate. The value in use is based on the cash flow forecast model for each cash-generating unit and requires the estimation of model assumptions, most importantly the discount rate, growth rate and cash flows. Accordingly, due to the high estimation uncertainty, the impairment assessment of these assets is considered to be a key audit matter.</p>	<p>We focused our testing of the impairment of goodwill and other intangible assets on the key assumptions made by the Directors. Our audit procedures included:</p> <ul style="list-style-type: none"> <li>■ critically evaluating the determination of the cash-generating units;</li> <li>■ evaluating whether the model used to calculate the fair value less costs to sell and value in use of the individual cash generating units complies with the requirements of IAS 36: Impairment of Assets;</li> <li>■ validating the assumptions applied and inputs in the respective models by comparing it to historical information and approved budgets; and</li> <li>■ subjecting the key assumptions to sensitivity analyses.</li> </ul> <p>We found the models and assumptions applied in the impairment assessments to be appropriate and concur with the Directors’ decision not to impair.</p> <p>We considered the disclosure of the goodwill and other intangible assets to be appropriate for purposes of the consolidated financial statements.</p>

## Independent auditor's report (continued)

Key audit matter	How our audit addressed the key audit matter
<p><b>IFRS3: Business Combinations</b></p> <p>During the year, the group acquired KBC Holdings Proprietary Limited, Oxyon Human Capital Solutions and Day-Click Limited as detailed in note 28. The Directors made use of independent experts in valuing and allocating the various intangible assets and resultant goodwill.</p> <p>We identified IFRS3: Business Combinations accounting treatment as a key audit matter due to the significance of the transactions and balances as well as the complexities of the purchase price allocation and disclosure requirements in this regard.</p>	<p>We assessed the competence, capabilities and objectivity of the Directors' independent valuers, and verified their qualifications. In addition, we discussed the scope of their work with management and reviewed their terms of engagement to determine that there were no matters that affected their independence and objectivity or imposed scope limitations upon them. We confirmed that the approaches they used are consistent with IFRS and industry norms.</p> <p>Our procedures with regards to impairment testing is detailed above.</p>

### Other information

The directors are responsible for the other information which comprises the Directors' report, audit and risk committee's report and Company Secretary's certificate, as required by the Companies Act of South Africa, which we obtained the prior to the date of this report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, as well as for overseeing the company's financial reporting process. The directors are responsible for such internal control as is determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and/or the company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one

resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and/or the company to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit and risk committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit and risk committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit and risk committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on other legal and regulatory requirements

In terms of the IRBA rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Horwath Leveton Boner has been the auditor of Workforce Holdings Limited and its subsidiaries for 46 years.



**Horwath Leveton Boner**

**Partner: Gary Kartsounis**

*Registered Auditor*

3 Sandown Valley Crescent  
Sandton, 2196

14 March 2018



## Audit and risk committee report to shareholders

The audit and risk committee has pleasure in submitting this report, which has been approved by the board and has been prepared in accordance with section 94(7)f of the Companies Act and incorporates the recommendations of the Report on Corporate Governance for South Africa, 2016 ("King IV").

In summary, this committee assists the board in its responsibilities and covers the:

- Internal and external audit process for the group taking into account the significant risks;
- adequacy and functioning of the group's internal controls;
- integrity of the financial reporting; and
- risk management and information technology.

The committee has performed all the duties required in section 94(7) of the Companies Act.

Due to the size of the company, the board made a decision to combine the audit and risk committees and attend to both audit and risk responsibilities in one committee.

### Members of the audit and risk committee and attendance at meetings

The audit and risk committee consists of three Non-Executive Directors listed below and all members act independently as described in the Companies Act.

The Executive Chairman, Chief Executive Officer, Financial Director, partner of the external auditors and the internal auditor attend meetings by invitation. The board is satisfied that the independence, experience and qualifications of each member enable them to fulfil the committee's mandate. In addition to the quarterly meetings, the committee meets at least once a year with the company's internal and external auditors, without management being present.

The committee therefore comprises the following members:

Name	Position	Qualification	Experience
John Macey	Independent Chairman	<i>BBusSci (Hons), BCom (Hons), CA(SA), Registered auditor</i>	Over 30 years of experience in finance and financial management
Shelley Thomas	Independent member	<i>BCompt Post Graduate Diploma in Accounting, CA(SA)</i>	Over 25 years of experience in finance and auditing
Kyansambo Vundla	Independent member	<i>BCom, HDip Acc, CA(SA)</i>	Over 15 years of experience in the financial services industry

The committee, as a whole, has the necessary financial literacy, skills and experience to execute its duties effectively.

During the year under review, four meetings were held and attendance of those meetings is set out in the table below:

Member	22 March 2017	23 June 2017	15 August 2017	30 November 2017
John Macey	✓	✓	✓	✓
Shelley Thomas	✓	✓	✓	✓
Kyansambo Vundla	✓	✓	apology	apology
<b>Invitees</b>				
External auditors	✓	✓	✓	✓
Head of internal audit	✓	✓	✓	✓
Executive Chairman	✓	✓	✓	✓
Chief Executive Officer	✓	✓	✓	✓
Financial Director	✓	✓	✓	✓
Group Financial Manager	✓	✓	✓	✓
Company Secretary	✓	✓	✓	✓

### Focus areas during 2017

- Enterprise risk management
- Internal controls
- Combined assurance
- Finance and integrated reporting
- Financial sustainability
- Implementation of King IV

### Performance during 2017

The Enterprise Risk Assessment ("ERA") was conducted for all operating divisions/entities, to identify and assess business risks, culminating in the development of the risk registers

On an ongoing basis, the internal audit function evaluated the adequacy and effectiveness of the internal controls and reported the results to the committee, based on the approved internal audit plan. Effective corrective action was taken to correct any reported deficiencies in internal control

A risk based combined assurance framework was adopted and will be reviewed on an annual basis

A chief financial officer report is included in the executive leadership review of the integrated annual report

Continued focus on financial sustainability metrics and feedback from management

The terms of reference were updated with the requirements of King IV and all policies falling under the ambit of the committee

### Planned areas of future focus

Conclusion of the enterprise wide risk management process

Implementation of the results of the enterprise risk assessment and monitoring progress, through periodic reports

Conclusion of internal control documentation exercise

Continued focus on legal compliance, especially considering new legislation

Improved focus on fraud detection and prevention measures

## Role of the audit and risk committee

The audit and risk committee has adopted an updated terms of reference, approved by the board, setting out its duties and responsibilities as prescribed in the Companies Act and incorporating additional duties delegated to it by the board. The requirements of King IV are also included in this new terms of reference.

The committee:

- Fulfills the duties that are assigned to it by the Companies Act and as governed by other legislative requirements;
- assists the board in overseeing the quality and integrity of the group's integrated reporting process, including the financial statements and sustainability reporting, and announcements in respect of the financial results;
- ensures that an effective control environment in the group is maintained;
- adopted a combined assurance model;
- provides the Financial Director, external auditors and the head of internal audit with unrestricted access to the committee and its Chairman as is required in relation to any matter falling within the ambit of the committee;
- meets with the external auditors, senior managers and executive directors as the committee may elect;
- meets confidentially with the internal and external auditors without other executive board members and the company's Financial Director being present;
- reviews and recommends to the board the interim financial results and annual financial statements;
- oversees the activities of, and ensures coordination between, the activities of the internal and external auditors;
- fulfils the duties that are assigned to it by the Companies Act and as governed by other legislative requirements, including the statutory audit committee functions required for subsidiary companies;

## Audit and risk committee report to shareholders (continued)

- receives and deals with any complaints concerning accounting practices, internal audit or the content and audit of its financial statements or related matters;
- conducts annual reviews of the audit and risk committee's work plan and terms of reference;
- assesses the performance and effectiveness of the audit and risk committee and its members on a regular basis; and
- reviewed the proactive monitoring process in terms of the letter from the JSE dated 20 February 2018.

### Execution of functions during the year

The committee is satisfied that, for the 2017 financial year, it has performed all the functions required to be performed by an audit and risk committee as set out in the Companies Act and the committee's terms of reference.

The audit and risk committee discharged its functions in terms of its terms of reference and ascribed to it in terms of the Companies Act during the year under review as follows:

#### External audit

During the reporting period, Craig George stepped down as audit partner after five years, and Gary Kartsounis took over as audit partner to the group overseeing the external audit for the year ended 31 December 2017.

The committee among other matters:

- Nominated Horwath Leveton Boner and Gary Kartsounis as the external auditor and designated auditor, respectively to shareholders for appointment as auditor for the financial year ending 31 December 2017, and ensured that the appointment complied with all applicable legal and regulatory requirements for the appointment of an auditor;
- nominated the external auditor and an independent auditor for each material subsidiary company for re-appointment;
- requested from the audit firm, the formal letter of their latest inspection performed by IRBA on Horwath Leveton Boner and Gary Kartsounis, including any findings, if applicable, to the firm and/or individual;
- reviewed the audit effectiveness and evaluated the external auditor's internal quality control procedures;
- obtained an annual confirmation from the auditor that their independence was not impaired;
- maintained a policy setting out the categories of non-audit services that the external auditor may and may not provide, split between permitted, permissible and prohibited services;
- approved non-audit services with Horwath Leveton Boner in accordance with its policy;
- approved the external audit engagement letter, the plan and the budgeted audit fees payable to the external auditor;
- obtained assurances from the external auditor that adequate accounting records were being maintained by the company and its subsidiaries;
- considered whether any reportable irregularities were identified and reported by the external auditor in terms of the Auditing Profession Act, No. 26 of 2005; and
- considered any reported control weaknesses, management's response for their improvement and assessed their impact on the general control environment.

Although Horwath Boner Leveton have been the auditors of the group for 46 years, the committee is satisfied that Horwath Leveton Boner is independent of the group after taking the following factors into account:

- Representations made by Horwath Leveton Boner to the committee;
- the auditor does not, except as external auditor or in rendering permitted non-audit services, receive any remuneration or other benefit from the company;
- the auditors' independence was not impaired by any consultancy, advisory or other work undertaken by the auditor;
- the auditors' independence was not prejudiced as a result of any previous appointment as auditor; and
- the criteria specified for independence by the Independent Regulatory Board for auditors and international regulatory bodies.

#### Internal audit

The committee:

- Reviewed and approved the internal audit charter and annual audit plan and evaluated the independence, effectiveness and performance of the internal audit department and compliance with its charter;
- considered the reports of the internal auditor on the group's system of internal control including financial controls, business risk management and maintenance of effective internal control systems;
- received assurance that proper and adequate accounting records were maintained and that the systems safeguarded the assets against unauthorised use or disposal thereof;

- reviewed significant issues raised by the internal audit processes and the adequacy of corrective action in response to significant internal audit findings.

The head of internal audit reports functionally to the chairman of the committee, and administratively to the Financial Director.

### Adequacy and functioning of the group's internal controls

The committee reviewed the plans and work outputs of the external and internal auditors and concluded that these were adequate to address all significant financial risks facing the business.

As noted above, it also reviewed the reporting around the adequacy of the internal controls and based on this concluded that there had been no material breakdowns in internal control, including financial controls, business risk management and the maintenance of effective material control systems.

### Financial reporting

The audit and risk committee ensures that the financial reporting to stakeholders fairly presents the state of affairs of the group. This covers the annual financial statements, integrated report, interim and preliminary reporting.

The committee among other matters:

- Confirmed the going concern as the basis of preparation of the interim and annual financial statements;
- reviewed compliance with the financial conditions of loan covenants and determined that the capital of the company was adequate;
- examined and reviewed the interim and annual financial statements, as well as all financial information disclosed prior to the submission to the board for their approval and then for disclosure to stakeholders;
- ensured that the annual financial statements fairly present the financial position of the company and of the group as at the end of the financial year and the results of operations and cash flows for the financial year and considered the basis on which the company and the group was determined to be a going concern;
- considered the appropriateness of the accounting policies adopted and changes thereto;
- reviewed the external auditor's audit report and key audit matters;
- reviewed the representation letter relating to the annual financial statements which was signed by management;
- considered any problems identified, and reviewed any significant legal and tax matters that could have a material impact on the financial statements; and
- considered accounting treatments, significant unusual transactions and accounting judgments.

### Significant areas of judgement

In arriving at the figures disclosed in the financial statements there are many areas where judgement is needed. These are outlined in note 2.23 to the annual financial statements. The audit and risk committee has looked at the quantum of the assets and liabilities on the statements of financial position and other items that require significant judgement and decided to note the following:

- Impairment of trade receivables and advances: The impairment was reviewed and this item was found to be fairly stated, in all material respects;
- current and deferred taxation: Reviewed and found this item to be fairly stated, in all material respects;
- information systems general control environment: Reviewed and found this item to be fairly stated, in all material respects;
- impairment of goodwill and intangible assets: Reviewed and found this item to be fairly stated, in all material respects; and
- IFRS 3: Business combinations: Reviewed and found this item to be fairly stated, in all material respects.

### Risk management and the governance of technology and information

The committee:

- Adopted an information technology ("IT") strategy to be implemented;
- reviewed and adopted an IT terms of reference;
- oversaw the value delivery on IT and monitored the return on investments on significant IT projects;
- ensured that intellectual property contained in information systems are protected;
- ensured that adequate business arrangements are in place for disaster recovery;
- ensured that all personal information is treated by the company as an important business asset and is identified; and
- reviewed and recommended to the board for approval any policies proposed by management and relevant to the areas of responsibility of the committee.

## Audit and risk committee report to shareholders (continued)

### Legal and regulatory requirements

To the extent that these may have an impact on the annual financial statements, the committee:

- Reviewed legal matters that could have a material impact on the group;
- reviewed the adequacy and effectiveness of the group's procedures, including its risk management framework, to ensure compliance with legal and regulatory responsibilities;
- monitored complaints received via the group's whistleblowing service; and
- considered reports provided by management, internal audit and the external auditors regarding compliance with legal and regulatory requirements.

### Expertise and experience of Financial Director and the financial function

As required by 3.84(g) of the JSE Limited Listings Requirements, the committee has satisfied itself that the Financial Director, Willie van Wyk, has the appropriate expertise and experience. In addition, the committee satisfied itself that the composition, experience and skills set of the finance function met the group's requirements.

### Election of committee at the annual general meeting

Pursuant to the provisions of section 94(2) of the Companies Act, which required that a public company must elect an audit committee at each annual general meeting, it is proposed in the notice of annual general meeting to be held in 31 May 2018 that John Macey, Kyansambo Vundla and Shelley Thomas be re-appointed as members of the audit and risk committee until the next annual general meeting in 2019.

### Evaluation of the committee

In line with King IV, the committee agreed to conduct an evaluation on the committee's performance every second year. An evaluation will be conducted during 2018 and the results will be included in the next integrated annual report.

### Integrated report

Following the review by the committee of the consolidated annual financial statements of Workforce Holdings Limited for the year ended 31 December 2017, the committee is of the view that in all material aspects they comply with the relevant provisions of the Companies Act and International Financial Reporting Standards and fairly present the consolidated and separate financial positions at that date and the results of operations and cash flows for the year then ended. The committee has also satisfied itself of the integrity of the integrated report and the sustainability information reported therein.

### Recommendation of the integrated report for approval by the board

Having achieved its objectives, the committee has recommended the annual financial statements and the integrated report for the year ended 31 December 2017 for approval to the board. The board has subsequently approved the reports, which will be open for discussion at the forthcoming annual general meeting.



**John Macey**

*Audit and Risk Committee Chairman*

14 March 2018

## Directors' report

The Directors present their report for the year ended 31 December 2017. This report does not form part of the audited financial statements.

### Nature of business

Workforce Holdings Limited is an investment holding company. Its subsidiaries provide human capital solutions that include temporary employment services, permanent placement recruitment, training and skills development, contractor on-boarding, healthcare and wellness, disability solutions, financial services, lifestyle benefits and business process outsourcing solutions.

There have been no material changes to the nature of the group's business from the prior year.

### Financial results

Financial results are discussed in detail in the Executive leadership review report.

### Subsidiaries

The company's directly owned subsidiaries are as follows:

	% holding
Allmed Healthcare Professionals Proprietary Limited	100
Debtworx Proprietary Limited	100
Fempower Proprietary Limited	100
KBC Holdings Proprietary Limited	100
Molapo Quyn Outsourcing Proprietary Limited	100
Nursing Emergencies Proprietary Limited	100
Programmed Process Outsourcing Proprietary Limited	100
Quyn HR Consulting Proprietary Limited	100
Quyn International Outsourcing Proprietary Limited	100
Quyn Payrolling Services Proprietary Limited	100
Rapitrade 465 Proprietary Limited	100
Sizuluntu Northern Cape Proprietary Limited	48
Sizuluntu Staffing Solutions Proprietary Limited	48
Telebest Holdings Proprietary Limited	100
The Workforce Group Proprietary Limited	100
Workforce Management Services Proprietary Limited	100
Workforce Outsourcing Proprietary Limited	100

## Directors' report (continued)

Details of the subsidiaries indirectly held are set out below:

	% holding
Angola The Workforce Group Limitada	100
Babereki Employee Support Services Proprietary Limited	100
Day-Click Limited	76
Essential Employee Benefits Proprietary Limited	100
Fads Proprietary Limited	100
Glen Moray Proprietary Limited	100
Interchange Business Consulting Proprietary Limited	100
Jet Talent Proprietary Limited	50
KBC Health & Safety Proprietary Limited	100
Khetha Staffing Services Proprietary Limited	100
Only The Best Proprietary Limited	100
Pha Phama Africa Investments Proprietary Limited	100
Pha Phama Africa Staff Services Proprietary Limited	100
Prisma Training Solutions Proprietary Limited	100
Qunu Workforce Proprietary Limited	49
Teleresources Proprietary Limited	100
The Workforce Group Mauritius Limited	100
Training Force Namibia Proprietary Limited	100
Training Force Proprietary Limited	100
Workforce Finance Proprietary Limited	100
Workforce Group Sociedade Unipessoal Limitada	100
Workforce Healthcare Proprietary Limited	50
Workforce Software Proprietary Limited	100
Workforce Worldwide Staffing Proprietary Limited	100

Details of the consolidated structured entities are set out below:

The Pha Phama Africa Employee Empowerment Trust and its subsidiary Pha Phama Africa Investments Proprietary Limited, are consolidated in line with the requirements of IFRS 10 Consolidated Financial Statements.

The subsidiary of the share trust is the beneficial owner of 14 370 000 (2016: 14 370 000) shares in Workforce Holdings Limited. The fair value of these shares amounted to R7 783 218 (2016: R7 711 356) and the loan outstanding is R9 111 761 (2016: R9 111 761).

Aggregate profits of subsidiaries attributable to the holding company is as follows:

	2017 R'000	2016 R'000
	98 542	91 604

### Dividends

No dividends were declared in the current financial year (2016: R nil).

### Share capital

Details of the company's authorised and issued share capital at 31 December 2017 are shown in note 9 to the financial statements. No changes were made to the authorised and issued ordinary share capital during the year under review.



## Employee share empowerment scheme

The Pha Phama Africa Employee Empowerment Trust was formed for the purpose of providing an opportunity for previously disadvantaged employees of the group to participate in the group's growth and success.

## Borrowings

In terms of the memorandum of incorporation, the Directors have unlimited borrowing powers. Interest-bearing borrowings comprise loans secured by instalment sale agreements, cession of trade receivables, as well as a short-term loan facility.

## Special resolutions

- It was resolved that the Non-Executive Directors' remuneration was approved with effect from 4 May 2017 until the next annual general meeting.
- It was resolved that the group was authorised to provide direct or indirect financial assistance to any related or inter-related company.
- It was resolved that a general approval was received for the company to repurchase any of the shares issued by the company, upon such terms and conditions and in such amounts as the Directors may from time to time determine, subject to the provisions of sections 46 and 48 of the Companies Act and the JSE Listings Requirements.

## Directors

The Directors of the company for the financial year and up to the date of this report were as follows:

### Executive Directors

- PM Froom;
- RS Katz; and
- WP van Wyk.

### Non-Executive Directors

- NM Anderson (appointed 26 June 2017 as Alternate Director to S Naidoo);
- JR Macey;
- S Naidoo (appointed 26 June 2017);
- S Thomas; and
- K Vundla.

## Group statement of financial position

as at 31 December 2017

	Notes	2017 R'000	2016 R'000
<b>Assets</b>			
<b>Non-current assets</b>		<b>251 912</b>	199 060
Property, plant and equipment	1	23 559	18 015
Goodwill	2	134 480	102 287
Intangible assets	3	44 247	39 130
Deferred tax assets	4	44 251	36 919
Other financial assets	5	5 375	2 709
<b>Current assets</b>		<b>744 246</b>	688 090
Trade and other receivables	6	714 389	610 219
Inventories	7	3 546	2 742
Taxation		763	–
Cash and cash equivalents	8	25 548	75 129
<b>Total assets</b>		<b>996 158</b>	887 150
<b>Equity and liabilities</b>			
<b>Equity</b>		<b>542 345</b>	446 768
Equity attributable to owners of the parent		543 806	446 491
Stated capital	9	234 051	241 867
Treasury shares	9	(7 658)	(9 330)
Available-for-sale reserve		923	462
Equity-settled employee benefits reserve	26	6 793	2 337
Retained earnings		309 697	211 155
Non-controlling interests		(1 461)	277
<b>Non-current liabilities</b>		<b>38 173</b>	40 349
Financial liabilities	10	26 407	30 840
Deferred tax liabilities	4	11 766	9 509
<b>Current liabilities</b>		<b>415 640</b>	400 033
Trade and other payables	11	136 914	115 231
Financial liabilities	10	278 726	283 857
Taxation		–	945
<b>Total equity and liabilities</b>		<b>996 158</b>	887 150

## Group statement of comprehensive income

for the year ended 31 December 2017

	Notes	2017 R'000	2016 R'000
Revenue	12	2 807 890	2 523 405
Cost of sales		(2 172 461)	(1 924 425)
<b>Gross profit</b>		<b>635 429</b>	<b>598 980</b>
Other income		1 032	720
Operating costs		(512 887)	(461 810)
Fair value adjustments	16	10 365	(3 466)
<b>Earnings before interest, taxation, depreciation and amortisation ("EBITDA")</b>		<b>133 939</b>	<b>134 424</b>
Depreciation and amortisation of non-financial assets		(26 080)	(17 476)
Finance income	13	1 486	711
Finance costs	14	(23 360)	(26 491)
<b>Profit before taxation</b>		<b>85 985</b>	<b>91 168</b>
Taxation	15	10 819	735
<b>Profit for the year</b>	16	<b>96 804</b>	<b>91 903</b>
<b>Other comprehensive income/(loss) for the period</b>		<b>461</b>	<b>(224)</b>
Fair value gain on available-for-sale financial assets to be reclassified subsequent to profit or loss	5	461	(224)
<b>Total comprehensive income for the year</b>		<b>97 265</b>	<b>91 679</b>
<b>Profit for the year attributable to:</b>			
Owners of the parent		98 542	91 604
Non-controlling interests		(1 738)	299
		<b>96 804</b>	<b>91 903</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the parent		99 003	91 380
Non-controlling interests		(1 738)	299
		<b>97 265</b>	<b>91 679</b>
<b>Earnings per share (cents per share)</b>			
Basic earnings per share	17	43,0	40,1
Diluted earnings per share	17	41,2	38,1

## Group statement of changes in equity

for the year ended 31 December 2017

	Attributable to owners of the parent							Non- control- ling interests R'000	Total equity R'000
	Stated capital R'000	Treasury shares R'000	Available- for-sale reserve R'000	Equity- settled	Reverse acquisition reserve R'000	Retained earnings R'000	Total R'000		
				employee					
				benefits reserve R'000					
Balance at 1 January 2016	241 867	(9 488)	686	1 659	(125 499)	245 050	354 275	(28)	354 247
Payment of dividends	–	–	–	–	–	–	–	(417)	(417)
Recognition of share-based payments	–	–	–	1 536	–	–	1 536	–	1 536
Buy-back of shares	–	(1 714)	–	–	–	–	(1 714)	–	(1 714)
Issue of ordinary shares under employee share option plan	–	1 872	–	(858)	–	–	1 014	–	1 014
Additional non-controlling interest arising on business combination	–	–	–	–	–	–	–	423	423
Transfer of reverse acquisition reserve to retained earnings	–	–	–	–	125 499	(125 499)	–	–	–
Total comprehensive income for the year	–	–	(224)	–	–	91 604	91 380	299	91 679
Balance at 1 January 2017	241 867	(9 330)	462	2 337	–	211 155	446 491	277	446 768
Recognition of share-based payments	(7 816)	–	–	5 227	–	–	(2 589)	–	(2 589)
Buy-back of shares	–	(3 124)	–	–	–	–	(3 124)	–	(3 124)
Issue of ordinary shares under employee share option plan	–	4 796	–	(771)	–	–	4 025	–	4 025
Total comprehensive income for the year	–	–	461	–	–	98 542	99 003	(1 738)	97 265
Balance at 31 December 2017	234 051	(7 658)	923	6 793	–	309 697	543 806	(1 461)	542 345
Notes	9	9	5*	26					

\* Fair value gains on available-for-sale financial assets are recognised in other comprehensive income and reclassified to profit or loss on disposal. (note 5).

## Group statement of cash flows

for the year ended 31 December 2017

	Notes	2017 R'000	2016 R'000
<b>Cash generated from operations before net working capital changes</b>		<b>107 624</b>	109 765
Cash generated from operations	19.1	128 860	136 989
Finance income		1 486	711
Finance costs		(23 360)	(26 491)
Taxation paid	19.2	638	(1 444)
Increase in net working capital	19.3	(91 706)	(40 551)
<b>Cash flows from operating activities</b>		<b>15 918</b>	69 214
<b>Cash flows from investing activities</b>		<b>(60 710)</b>	(55 994)
Property, plant and equipment acquired – maintaining operations	1	(12 068)	(7 170)
Proceeds on disposal of property, plant and equipment		1 109	789
Dividend income		1 032	720
Intangible assets acquired – maintaining operations	3	(7 645)	(8 452)
Net cash flow on acquisition of business combinations	19.4	(43 138)	(41 881)
<b>Cash flows from financing activities</b>		<b>(4 789)</b>	48 845
(Decrease)/increase in borrowings		(1 948)	51 834
Payment for buy-back of shares		(3 124)	(1 714)
Proceeds on disposal of shares		4 796	–
Settlement of share-based payments	19.5	(4 513)	(858)
Dividends paid		–	(417)
<b>Net change in cash and cash equivalents</b>		<b>(49 581)</b>	62 065
<b>Cash and cash equivalents at the beginning of the year</b>		<b>75 129</b>	13 064
<b>Cash and cash equivalents at the end of the year</b>	8	<b>25 548</b>	75 129

## Accounting policies

### 1. General information

Workforce Holdings Limited (“the company”) is a limited company incorporated in South Africa. The address of its registered office and principal place of business is disclosed under corporate information in the integrated annual report. The principal activities of the group are human capital solutions that include temporary employment services, permanent placement recruitment, training and skills development, contractor on-boarding, healthcare and wellness, disability solutions, financial services, lifestyle benefits and business process outsourcing solutions. The group operates as an investment holding company.

### 2. Summary of accounting policies

The significant accounting policies that have been used in the preparation of the group financial statements are summarised below. The financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

#### 2.1 Statement of compliance

The consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations as issued by the IFRS Interpretations Committee (“IFRIC”), and comply with the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, financial reporting pronouncements as issued by the Financial Reporting Standards Council. (“FRSC”), the JSE Listings Requirements and the requirements of the Companies Act of South Africa.

#### 2.2 Basis of preparation

The financial statements have been prepared on the historical cost basis except for certain financial instruments that have been measured at fair value.

The preparation of the annual financial statements was supervised by the group Financial Director, W van Wyk, CA(SA).

The financial statements are presented in South African Rand (“ZAR”), the functional currency of the group and company and all amounts are rounded to the nearest thousand, except when otherwise indicated.

The principal accounting policies are set out below.

#### 2.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the group and entities (including consolidated structured entities) controlled by the group (its subsidiaries). Control is achieved when the company has power over the investee, it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the group. All subsidiaries have a reporting date of 31 December. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Non-controlling interests in subsidiaries are identified separately from the group’s equity therein. The interests of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests’ proportionate share of the fair value of the acquiree’s identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests’ share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit.

#### 2.4 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The acquisition method involves the recognition of the acquiree’s identifiable assets and liabilities, including contingent liabilities, regardless of

whether they were recorded in the financial statements prior to acquisition. On initial recognition, the assets and liabilities of the acquired subsidiary are included in the consolidated statement of financial position at their fair values, which are also used as the bases for subsequent measurement in accordance with the group's accounting policies.

Goodwill is stated after separating out identifiable intangible assets. Goodwill represents the excess of acquisition cost over the fair value of the group's share of the identifiable net assets of the acquiree at the date of acquisition, as well as portion of non-controlling interest.

The measurement period is the period from the date of acquisition, to the date the group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year.

Cash-generating units to which goodwill has been allocated are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

## 2.5 Segment reporting

In identifying its operating segments, management generally follows the group's service lines, which represents the main services provided by the group, and is consistent with the way these results are reviewed by the chief operating decision maker, Philip Froom (Chief Executive Officer). The group is organised into three main operating segments, namely staffing and outsourcing, training and consulting and financial and healthcare. Each of these operating segments is managed separately as each of these service lines requires different technologies and other resources.

Segment results include revenue and expenses directly attributable to a segment and the relevant portion of enterprise revenue and expenses that can be allocated on a reasonable basis to a segment. All inter-segment transactions are carried out at arm's length prices. These transactions are eliminated on consolidation. Segment assets and liabilities comprise operating assets and liabilities directly attributable to the segment, or which could reasonably be assigned to the segment. Performance is measured based on profit before interest and tax. Interest and tax expenses information per segment is not provided to the chief operating decision maker as this is impracticable.

## 2.6 Revenue recognition

Revenue comprises revenue from the sale of goods and the rendering of services. Revenue is measured at the fair value of the consideration received or receivable.

Revenue is recognised when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity, the costs incurred or to be incurred can be measured reliably, and when the criteria for each of the group's different activities has been met. The specific recognition criteria are based on the services or goods provided and the contract conditions are described below.

### Rendering of services

Revenue from outsourcing services is recognised as and when the services are provided by the temporary employees. Revenue for placement fees is recognised when the candidate commences work at the client.

### Sale of goods

Sale of goods is recognised when the group has transferred to the buyer the significant risks and rewards of ownership of the goods supplied.

Significant risks and rewards are generally considered to be transferred to the buyer when the customer has taken undisputed delivery of the goods.

### Interest and dividend income

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established.



## Accounting policies (continued)

### 2. Summary of accounting policies (continued)

#### 2.7 Government grants

Government grants are not recognised until there is reasonable assurance that the group will comply with the conditions attached to them and that the grants will be received.

Government grants for staff training costs are recognised in the profit and loss over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis and are deducted in reporting the related expense.

Government grants that are receivable as compensation for expenses or losses already incurred, or for the purpose of giving immediate financial support to the group with no future related costs, are recognised in profit or loss in the period in which they become receivable.

#### 2.8 Finance costs

Finance costs primarily comprise interest on the group's borrowings. All finance costs are recognised in profit or loss in the period in which they are incurred. For cash flow purposes, finance costs are allocated to operating activities as they enter into the determination of profit or loss.

#### 2.9 Investment in subsidiaries

In the company's separate annual financial statements, investments in subsidiaries are carried at cost less accumulated impairment. The cost of an investment in a subsidiary is the aggregate of the fair value, at the date of exchange, of the acquiring company's assets given, liabilities incurred or assumed, and equity instruments plus any costs directly attributable to the purchase of the subsidiary.

#### 2.10 Property, plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method. The estimated useful lives, depreciation methods and residual values are reviewed at each year-end, with the effect of any changes, accounted for on a prospective basis.

Land and buildings are carried at cost and not depreciated.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment, is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The estimated average useful lives are as follows:

	Years
Computer equipment	3
Industrial equipment	4
Leasehold improvements	5
Motor vehicles	4
Office equipment	5
Training manuals	5

#### 2.11 Intangible assets

##### Intangible assets acquired separately

Intangible assets acquired separately are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

##### Internally generated computer software – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Internally generated computer software arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the computer software so that it will be available for use or sale;
- the intention to complete the computer software and use or sell it;
- the ability to use or sell the computer software;
- how the computer software will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the computer software; and
- the ability to measure reliably the expenditure attributable to the computer software during its development.

The amount initially recognised for internally generated computer software is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred. Subsequent to initial recognition, internally generated computer software is reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

The following useful lives are used in the calculation of amortisation:

	Years
Computer software	2 to 5
Client relationships	3
Brand names	3

Intangible assets with a finite life are assumed to have a residual value of nil, unless there is a commitment to purchase the intangible assets by a third party or an active market exists.

#### **Intangible assets acquired in a business combination**

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date. Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

## **2.12 Impairment of goodwill, property, plant and equipment and other intangible assets**

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount, exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles as assessed by management. The recoverable amount is the higher of fair value less cost to sell and value in use.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

## Accounting policies (continued)

### 2. Summary of accounting policies (continued)

#### 2.12 Impairment of goodwill, property, plant and equipment and other intangible assets (continued)

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised, may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

#### 2.13 Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

##### **The group as lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

#### 2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of ordinarily interchangeable items are assigned using the first in, first out cost formula. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

#### 2.15 Taxation

Tax expense recognised in the profit and loss comprise the sum of deferred tax and current tax not recognised in the other comprehensive income or directly in equity.

##### **Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

##### **Deferred tax**

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at the end of each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

#### **Current and deferred tax for the period**

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

### **2.16 Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

### **2.17 Equity, reserves and dividends paid**

#### **Stated capital**

Stated capital represents the value of shares that have been issued. Shares are classified as equity when there is no obligation to transfer cash or assets. Incremental costs directly related to the issue of new shares are shown as a deduction from equity.

#### **Treasury shares**

Where the group or other consolidated subsidiaries purchase the group's equity share capital, the consideration paid, including directly attributable incremental costs, is deducted from the total shareholders' equity as treasury shares until they are sold. Fair value changes recognised in the subsidiary's financial statements on equity investments in the holding group's shares, are reversed on consolidation and dividends received are eliminated against dividends paid. Where such shares are subsequently sold, any consideration received, net of any directly attributable incremental costs, is included in shareholders' equity.

#### **Empowerment trust**

The group's employee empowerment incentive scheme is operated through a trust and its subsidiary group. The trust is a consolidated structured entity.

The share trust purchased shares for a share incentive scheme to benefit previously disadvantaged employees and to allow the group to meet its objective of achieving its broad-based black economic empowerment scorecard requirements. The purchase of the shares by the share trust is treated as a reduction in the group's equity. For the purpose of the earnings per share calculation, the weighted average number of shares in issue is reduced by the number of shares held by the trust.

#### **Reserves**

Gains and losses on certain financial instruments are included in reserves for available-for-sale financial assets. Retained earnings include all current and prior period retained profits.

#### **Dividends paid**

Dividends paid on ordinary shares are recognised against equity in the period in which they are approved by the group's shareholders. Dividends declared after the reporting date are not recognised.

## Accounting policies (continued)

### 2. Summary of accounting policies (continued)

#### 2.18 Contingencies

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 26.

#### 2.19 Retirement benefit costs

Contributions to defined contribution retirement plans are recognised as an expense when employees have rendered service entitling them to the contributions.

#### 2.20 Financial instruments

Financial assets and financial liabilities are recognised when the group becomes a party to the contractual provisions of the financial instrument. Financial instruments are initially measured at fair value, including transaction costs of items which are not subsequently measured at fair value. Transaction costs on financial assets which subsequently measured at fair value are recognised immediately in profit or loss.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires. Other financial liabilities are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method with interest expense recognised on an effective yield basis.

##### 2.21.1 Financial assets

Financial assets are classified into the following specified categories: Available-for-sale (“AFS”) financial assets, financial assets through profit and loss and “loans and receivables”. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Different criteria to determine impairment are applied for each category of financial assets, which are described on the next page.

##### **Available-for-sale (“AFS”) financial assets**

Listed shares held by the group that are traded in an active market are classified as AFS and are stated at fair value. Fair value is determined in the manner described in note 22.2. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the available-for-sale reserve, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the available-for-sale reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the group’s right to receive the dividends is established.

##### **Financial assets at fair value through profit and loss (“FVTPL”)**

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit and loss incorporates any dividend or interest earned on the financial asset and is included in the fair value adjustments line item. Fair value is determined in the manner described in note 22.

##### **Loans and receivables**

Trade receivables, loans, cash and cash equivalents and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as “loans and receivables”. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

##### **Advances**

Advances are non-derivative financial assets with fixed payments that are not quoted in the active market. The advances arise when the group provides money or goods directly to a debtor. These advances are in the form

of personal unsecured loans and are paid back in fixed equal instalments. Advances are measured at amortised cost using the effective interest rate method, less any impairment losses through the use of an allowance account whereby the amount of the losses are recognised in profit or loss. Origination fees and monthly service fees that are integral to the effective interest rate are capitalised to the value of the loan and amortised to profit or loss over the contractual life of the loan using the effective interest rate method.

#### **Impairment of financial assets**

Financial assets at amortised cost are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For listed equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account.

Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed, does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss, is recognised in other comprehensive income.

#### **Impairment of advances**

Advances are regularly reviewed to determine whether there is any indication that those advances have become impaired, using objective evidence at a loan level. The primary indicator used is a breach of contract, such as a default or delinquency in the payment of interest to the principal. Losses expected as a result of future events are not recognised.

The group estimates the recoverable amount on a portfolio basis, using statistics derived from past performance of that portfolio, taking into account any changes to collection procedures and projected future market conditions. The recoverable amount is the sum of the estimated future cash flows, discounted to their present value using a discount rate equal to the original effective interest rate. Impairment provisions raised during the year are charged to profit or loss.

## Accounting policies (continued)

### 2. Summary of accounting policies (continued)

#### 2.20 Financial instruments (continued)

##### 2.21.1 Financial assets (continued)

###### **Derecognition of financial assets**

The group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the group retains substantially all the risks and rewards of ownership of a transferred financial asset, the group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

##### 2.21.2 Financial liabilities

Financial liabilities are classified as either financial liabilities at “fair value through profit or loss” or “other financial liabilities”. The group’s financial liabilities comprise borrowings and trade and other payables.

All interest-related charges that are reported in profit and loss are included within “finance costs”.

###### **Classification as debt or equity**

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

###### **Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group are recorded at the proceeds received, net of direct issue costs.

###### **Derecognition of financial liabilities**

The group derecognises financial liabilities when, and only when, the group’s obligations are discharged, cancelled or they expire.

###### **Amortised cost measurement**

Financial liabilities are initially measured at fair value, net of transaction costs. Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

##### 2.22 Share-based payment arrangements

###### **Share-based payment transactions of the company**

Equity-settled share-based payments to employees and others providing similar services are measured at fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 26.

The fair value determined at grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the group’s estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

#### 2.23 Critical accounting judgements and key sources of estimation uncertainty

In the application of the group’s accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.



The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### *2.23.1 Critical judgements in applying accounting policies*

The following are the critical judgements, apart from those involving estimations described in note 2.24.2 below, that the Directors have made in the process of applying the group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

##### **Government grants**

Determining whether training fees are recoverable from SETAs and when these amounts are recoverable, involve the exercising of judgement by management. Details of these learnerships are detailed in note 6.

##### **Internally developed software**

Significant judgement is required in determining the development phase of internally developed computer software. Development costs are recognised as an asset when all the criteria are met, whereas any other expenses not directly related to the development are expensed as incurred. In determining the development phase, it is the group's accounting policy to also require a detailed forecast of cost savings expected to be generated by the intangible asset. The forecast is incorporated into the group's overall budget forecast as the capitalisation of development costs commences. This ensures that managerial accounting, impairment testing procedures and accounting for internally generated intangible assets is based on the same data. The group's management also monitors whether the recognition requirements for development costs continue to be met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems after recognition. Details of intangible assets are provided in note 3 of the notes to the group financial statements.

##### **Deferred tax assets**

Deferred tax assets are recognised to the extent that it is probable that taxable income will be available in the future against which these can be utilised. The raising of deferred tax assets is a process that is based on certain assumptions about the ability of the group to generate future profits in order to utilise the future tax benefits. The assessment of the probability of future taxable income is based on the group's latest approved budget forecast, which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties, is assessed individually by management based on the specific facts and circumstances. Details of deferred tax assets are provided in note 4 of the notes to the group financial statements.

##### **Allowance for doubtful debts**

The provision was measured at the group's best estimate of future unrecoverable trade receivables, taking into account circumstances prevailing at year-end. Details of provision are provided in note 6 of the notes to the group financial statements.

##### **Contingent liabilities**

Management applies its judgement to the fact patterns and advice it receives from its attorneys, advocates and other advisors in assessing if an obligation is probable, more likely than not, or remote. The judgement application is used to determine if the obligation is recognised as a liability, disclosed as a contingent liability or ignored for financial statement purposes.

## Accounting policies (continued)

### 2. Summary of accounting policies (continued)

#### 2.23 Critical accounting judgements and key sources of estimation uncertainty (continued)

##### 2.23.1 Critical judgements in applying accounting policies (continued)

###### **Control over Workforce Health Care Proprietary Limited**

Note 25.4 describes Workforce Health Care Proprietary Limited as a subsidiary of the group even though the group has only a 50% ownership and has only 50% of the voting rights in Workforce Health Care Proprietary Limited. The Directors of the company assessed whether the group has control over Workforce Health Care Proprietary Limited based on whether the group has other related rights sufficient to give it power over the company. Workforce Health Care Proprietary Limited is reliant on the group for funding its total operations. The company is also dependent on the group for the supply of critical services and technology. In addition the “Workforce” brand is controlled by the group and used by the company as part of its trading name. After assessment the Directors concluded that they have sufficient related rights to give the group control over Workforce Health Care Proprietary Limited.

###### **Control over Pha Phama Africa Employee Empowerment Trust and its subsidiary**

Note 25.4 describes Pha Phama Africa Employee Empowerment Trust and its subsidiary Pha Phama Africa Investments Proprietary Limited as a consolidated structured entity of the group. The Directors assessed whether the group has control over Pha Phama Africa Employee Empowerment Trust and its subsidiary Pha Phama Africa Investments Proprietary Limited. Based on the fact that the trustees of the Trust are required to be employees of the group who have been employed by the group for at least seven years, the Directors concluded that they effectively have control over Pha Phama Africa Employee Empowerment Trust.

###### **Control over Jet Talent Proprietary Limited**

Note 25.4 describes Jet Talent Proprietary Limited as a subsidiary of the group even though the group has only a 50% ownership and has only 50% of the voting rights in Jet Talent Proprietary Limited. The Directors of the company assessed whether the group has control over Jet Talent Proprietary Limited based on whether the group has other related rights sufficient to give it power over the company. Jet Talent Proprietary Limited is reliant on the group for funding its total operations. The company is also dependent on the group for the supply of critical services and technology. After assessment the Directors concluded that they have sufficient related rights to give the group control over Jet Talent Proprietary Limited.

###### **Control over Qunu Workforce Proprietary Limited**

Note 25.4 describes Qunu Workforce Proprietary Limited as a subsidiary of the group even though the group has only a 49% ownership and has only 49% of the voting rights in Qunu Workforce Proprietary Limited. The Directors of the company assessed whether the group has control over Qunu Workforce Proprietary Limited based on whether the group has other related rights sufficient to give it power over the company. Qunu Workforce Proprietary Limited is reliant on the group for funding its total operations. The company is also dependent on the group for the supply of critical services and technology. After assessment the Directors concluded that they have sufficient related rights to give the group control over Qunu Workforce Proprietary Limited.

###### **Control over Sizuluntu Staffing Solutions Proprietary Limited**

Note 25.4 describes Sizuluntu Staffing Solutions Proprietary Limited as a subsidiary of the group even though the group has only a 48% ownership and has only 48% of the voting rights in Sizuluntu Northern Cape. The Directors of the company assessed whether the group has control over Sizuluntu Northern Cape based on whether the group has other related rights sufficient to give it power over the company. Sizuluntu Staffing Solutions Proprietary Limited is reliant on the group for funding its total operations. The company is also dependent on the group for the supply of critical services and technology. After assessment the Directors concluded that they have sufficient related rights to give the group control over Sizuluntu Staffing Solutions Proprietary Limited.

###### **Control over Sizuluntu Northern Cape Proprietary Limited**

Note 25.4 describes Sizuluntu Northern Cape Proprietary Limited as a subsidiary of the group even though the group has only a 48% ownership and has only 48% of the voting rights in Sizuluntu Northern Cape Proprietary

Limited. The Directors of the company assessed whether the group has control over Sizuluntu Northern Cape Proprietary Limited based on whether the group has other related rights sufficient to give it power over the company. Sizuluntu Northern Cape Proprietary Limited is reliant on the group for funding its total operations. The company is also dependent on the group for the supply of critical services and technology. After assessment the Directors concluded that they have sufficient related rights to give the group control over Sizuluntu Northern Cape Proprietary Limited.

#### 2.23.2 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

##### **Impairment of goodwill**

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating units to which goodwill is allocated. The value-in-use calculation requires the entity to estimate future cash flows expected to arise from the cash-generating unit and to determine a suitable discount rate in order to calculate present value. In the process of measuring expected future cash flows management makes assumptions about future gross profits that relate to future events and circumstances. The actual results may vary, and may cause significant adjustments to the group's assets within the next financial year. In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors. Details of the impairment of goodwill are provided in note 2 of the notes to the group financial statements.

##### **Useful lives of depreciable assets and residual values**

Management reviews the useful lives of depreciable assets at each reporting date. At 31 December 2015 management assessed that the useful lives represent the expected utility of the assets to the group. The carrying amounts are analysed in notes 1 and 3 of the notes to the group financial statements. Actual results, however, may vary due to technical obsolescence, particularly relating to computer software.

The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition at that time.

In making its judgement, management has assessed at each reporting date whether there is an indication that items of property, plant and equipment and other assets may be impaired. If any such indication exists, the recoverable amount of the asset is assessed in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of fair value less costs to sell and value in use.

#### 2.24 Contingent liabilities acquired in a business combination

Contingent liabilities acquired through a business combination are initially measured at fair value at the acquisition date. At the end of the subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with IAS 37, and the amount initially recognised less the cumulative amortisation is recognised in accordance with IAS 18 Revenue.

### 3. Adoption of new and revised International Financial Reporting Standards ("IFRSs")

#### 3.1 Standards, amendments and interpretations to existing standards adopted during the financial year

##### **IAS 7: Statement of Cash Flows**

Disclosure Initiative: Amendments requiring entities to disclose information about changes in their financing liabilities. The additional disclosures will help investors to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes (such as foreign exchange gains or losses). Effective 1 January 2017.

##### **IAS 12: Income Taxes**

Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12): Narrow-scope amendment to clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value. Effective 1 January 2017.

## Accounting policies (continued)

### 3. Adoption of new and revised International Financial Reporting Standards (“IFRSs”) (continued)

#### 3.2 Standards, amendments and interpretations to existing standards that are not yet effective

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the group.

##### **IFRS 9: Financial Instruments**

A final version of IFRS 9 has been issued which replaces IAS 39 Financial Instruments: Recognition and Measurement. The completed standard comprises guidance on Classification and Measurement, Impairment Hedge Accounting and Derecognition (effective 1 January 2018):

- IFRS 9 introduces a new approach to the classification of financial assets, which is driven by the business model in which the asset is held and their cash flow characteristics. A new business model was introduced which does allow certain financial assets to be categorised as “fair value through other comprehensive income” in certain circumstances. The requirements for financial liabilities are mostly carried forward unchanged from IAS 39. However, some changes were made to the fair value option for financial liabilities to address the issue of own credit risk.
- The new model introduces a single impairment model being applied to all financial instruments, as well as an “expected credit loss” model for the measurement of financial assets.
- IFRS 9 contains a new model for hedge accounting that aligns the accounting treatment with the risk management activities of an entity. In addition, enhanced disclosures will provide better information about risk management and the effect of hedge accounting on the financial statements.
- IFRS 9 carries forward the derecognition requirements of financial assets and liabilities from IAS 39.

*\* IFRS 9 (2014) supersedes any previous versions of IFRS 9, but earlier versions of IFRS 9 remain available for application if the relevant date of application is before 1 February 2015.*

The group expects to adopt the new standard from its effective date of 1 January 2018.

##### **Classification and measurement**

Listed shares classified as available-for-sale investments carried at fair value as disclosed in note 5 qualify for designation as measured at FVTOCI under IFRS 9. However, the fair value gains or losses accumulated in the investment revaluation reserve will no longer be subsequently classified to profit or loss under IFRS 9, which is different from the current treatment. This will affect the amounts recognised in the group’s profit or loss and other comprehensive income but will not affect total comprehensive income.

All other financial assets and financial liabilities will continue to be measured on the same basis as is currently adopted under IAS 39.

##### **Impairment**

Financial assets measured at amortised costs will be subject to the impairment provisions of IFRS 9. The group expects to apply the simplified approach to recognise life time expected credit losses for its trade receivables as required or permitted by IFRS 9. In relation to trade receivables the Directors have assessed that there has been a significant increase in credit risk. Accordingly the Directors expect to recognise life time and 12-month expected credit losses for these items respectively.

In general the Directors anticipate that the application of the expected credit loss model of IFRS 9 will result in earlier recognition of credit losses and will increase the amount of loss allowance recognised for these items.

##### **IFRS 15: Revenue from contracts from customers**

New standard that requires entities to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is achieved through a five step methodology that is required to be applied to all contracts with customers.

The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements.

The new standard supersedes:

- (a) IAS 11 Construction contracts;
- (b) IAS 18 Revenue;
- (c) IFRIC 13 Customer loyalty programmes;
- (d) IFRIC 15 Agreements for the construction of real estate;
- (e) IFRIC 18 Transfers of assets from customers; and
- (f) SIC-31 Revenue-barter transactions involving advertising services.

The group expects to adopt the new standard from its effective date of 1 January 2018.

Apart from providing more extensive disclosures on the group's revenue transactions, the Directors do not anticipate that the application of IFRS 15 will have a significant impact on the financial position and/or financial performance of the group.

#### **IFRS 16: Leases**

New standard that introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and the lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principle portion and an interest portion and presents them in the statement of cash flows applying IAS 7: Statement of Cash Flows. Effective 1 January 2019.

IFRS 16 contains expanded disclosure requirements for lessees. Lessees will need to apply judgement in deciding upon the information to disclose to meet the objective of providing a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the lessee.

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

IFRS 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk.

IFRS 16 supersedes the following Standards and Interpretations:

- (a) IAS 17 Leases;
- (b) IFRIC 4 Determining whether an Arrangement contains a Lease;
- (c) SIC-15 Operating Leases-Incentives; and
- (d) SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of Lease.

The group expects to adopt the new standard from its effective date of 1 January 2019.

As at 31 December 2017, the group had non-cancellable operating lease commitments of R7,2 million. IAS 17 does not require the recognition of any right-of-use assets or liability for future payments for these leases. Instead, certain information is disclosed as operating lease commitments in note 21. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16 and hence the group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases, upon the application of IFRS 16. The new requirements to recognise a right-of-use asset and a related lease liability is expected to have a significant impact on the amounts recognised in the group's consolidated financial statements and the Directors are currently assessing its potential impacts. It is not practicable to provide a reasonable estimate of the financial affect until the Directors complete the review.

## Notes to the group financial statements

for the year ended 31 December 2017

	2017			2016		
	Cost R'000	Accumulated depreciation R'000	Carrying value R'000	Cost R'000	Accumulated depreciation R'000	Carrying value R'000
<b>1. Property, plant and equipment</b>						
Motor vehicles	10 005	(5 550)	4 455	9 218	(5 525)	3 693
Computer equipment	28 328	(21 765)	6 563	24 805	(20 665)	4 140
Industrial equipment	8 636	(6 057)	2 579	5 522	(3 650)	1 872
Office equipment	18 265	(14 194)	4 071	15 261	(12 434)	2 827
Leasehold improvements	1 736	(1 175)	561	1 268	(1 138)	130
Training manuals	9 807	(7 177)	2 630	9 854	(7 201)	2 653
Land and buildings	2 700	–	2 700	2 700	–	2 700
	<b>79 477</b>	<b>(55 918)</b>	<b>23 559</b>	<b>68 628</b>	<b>(50 613)</b>	<b>18 015</b>

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

	Motor vehicles R'000	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
Carrying value at								
1 January 2016	3 393	2 524	2 026	1 361	183	2 989	2 700	15 176
Additions	984	3 345	445	2 193	25	178	–	7 170
Disposals	(637)	(23)	(16)	–	–	–	–	(676)
Acquired through business combinations	1 259	43	53	62	–	–	–	1 417
Depreciation	(1 306)	(1 749)	(636)	(789)	(78)	(514)	–	(5 072)
Carrying value at								
31 December 2016	3 693	4 140	1 872	2 827	130	2 653	2 700	18 015
Additions	3 137	5 128	1 060	1 177	534	1 032	–	12 068
Disposals	(317)	(22)	–	(24)	(6)	(147)	–	(516)
Acquired through business combinations	421	718	686	985	–	–	–	2 810
Depreciation	(2 441)	(3 439)	(1 039)	(894)	(97)	(908)	–	(8 818)
<b>Carrying value at 31 December 2017</b>	<b>4 493</b>	<b>6 525</b>	<b>2 579</b>	<b>4 071</b>	<b>561</b>	<b>2 630</b>	<b>2 700</b>	<b>23 559</b>

All depreciation charges are included in “Depreciation and amortisation of non-financial assets” in the statement of comprehensive income. No property, plant and equipment have been impaired during the year (2016: Nil).

The net book value of motor vehicles held under instalment credit agreements at 31 December 2017 amounted to R3 785 842 (2016: R1 460 340). Refer to note 10 for details of the instalment credit agreements. Motor vehicles acquired under instalment credit agreements amounted to R3 723 606 (2016: R728 139). The instalment sales relate solely to motor vehicles.

A 100% interest in KBC Holdings Proprietary Limited was acquired on 1 January 2017, in order to increase the group's technical training offerings. Property, plant and equipment to the value of R2 750 000 was acquired as part of the business combination.

Oxyon Human Capital Solutions was acquired on 1 February 2017 in order to expand the group's skilled artisan and technical segments of the engineering industry. Property, plant and equipment to the value of R19 000 was acquired as part of the business combination.

A 76% interest in Day-Click Limited was acquired on 1 March 2017, in order to give the group an entry point into the Mauritian market where business opportunities have been identified. Property, plant and equipment to the value of R37 000 was acquired as part of the business combination.

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

	2017 R'000	2016 R'000
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## 2. Goodwill

Carrying value at beginning of the year	102 287	62 501
Acquired through business combination (refer to note 28.1.6 and 28.2.6)	32 193	39 786

<b>Carrying value at end of the year</b>	<b>134 480</b>	<b>102 287</b>
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Goodwill is tested on an annual basis for impairment or more frequently if there are indications that goodwill might be impaired.

For the purpose of annual impairment testing, goodwill is allocated to the following cash-generating units:

### Staff and outsourcing

– Workforce Staffing	4 275	4 275
– Telebest Holdings	31 190	31 190
– Allmed Healthcare Professionals	5 815	5 815
– Quyn Group	39 134	39 134
– Gcubed	652	652
– Day-Click	885	–
– Oxyon Human Capital Solutions	8 977	–

### Training and consulting

– Prisma Training Solutions	21 221	21 221
– KBC Holdings	22 331	–

	<b>134 480</b>	<b>102 287</b>
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The recoverable amount of the cash-generating units are determined based on value-in-use calculations. The key assumptions for the value-in-use calculations are discount rates, growth rates and expected cash flows. Management estimates discount rates using rates that reflect current market assumptions of the time value of money and the risk specific to the industry. An average discount rate of 20,9% (2016: 19,3%) was used, as all cash-generating units share similar risk characteristics. The growth rates and cash flow forecasts are based on approved budgets for the forthcoming financial year, as well as an estimation of growth forecasts specific to each cash-generating unit into the future. Future cash flow projections are based on a five-year period, as it is a conservative estimation of the life span of the cash-generating units. The values assigned to the key assumptions are reflective of past experience and are consistent with external sources of information.

Cash flow projections during the budget period are based on the same expected gross margins throughout the budget period. The Directors believe that any reasonable possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

The average growth rates used to calculate the cash flow projections for years 1 to 5 is 7% (2016: 7%).

At the end of the reporting period, the group assessed the recoverable amount of goodwill and determined no impairment was required.

Management believes that any reasonable possible changes in the key assumptions on which recoverable amounts is based would not cause the aggregate carrying amount of cash-generated units to exceed the aggregate recoverable amount of each of the cash-generating units respectively.



## Notes to the group financial statements (continued)

for the year ended 31 December 2017

	2017			2016		
	Cost R'000	Accumulated amortisation R'000	Carrying value R'000	Cost R'000	Accumulated amortisation R'000	Carrying value R'000
<b>3. Intangible assets</b>						
Computer software	62 146	(45 081)	17 065	51 162	(35 407)	15 755
Brands	3 209	(3 209)	–	3 209	(2 453)	756
Client relationships	31 522	(15 260)	16 262	19 510	(5 443)	14 067
Work in progress	10 920	–	10 920	8 552	–	8 552
	<b>107 797</b>	<b>(63 550)</b>	<b>44 247</b>	<b>82 433</b>	<b>(43 303)</b>	<b>39 130</b>

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

	Computer software R'000	Brands R'000	Client relationships R'000	Work in progress R'000	Total R'000
Carrying value at 1 January 2016	16 555	1 800	9 078	5 478	32 911
Additions	5 378	–	–	3 074	8 452
Disposals	(9)	–	–	–	(9)
Acquired through business combinations	–	–	10 180	–	10 180
Amortisation	(6 169)	(1 044)	(5 191)	–	(12 404)
Carrying value at 31 December 2016	15 755	756	14 067	8 552	39 130
Additions	5 277	–	–	2 368	7 645
Disposals	(39)	–	–	–	(39)
Acquired through business combinations	2 761	–	12 012	–	14 773
Amortisation	(6 689)	(756)	(9 817)	–	(17 262)
<b>Carrying value at 31 December 2017</b>	<b>17 065</b>	<b>–</b>	<b>16 262</b>	<b>10 920</b>	<b>44 247</b>

The above amortisation expense is included in “Depreciation and amortisation of non-financial assets” in the statement of comprehensive income. No intangible assets have been impaired during the year (2016: Nil). Computer software is mostly internally generated.

A 100% interest in KBC Holdings Limited was acquired on 1 January 2017, in order to increase the group's technical training offerings. Intangibles to the value of R14 773 000 was acquired as part of the business combination.

The group has no further contractual commitments to acquire intangible assets at reporting date. No restrictions exist over intangibles assets.

	2017 R'000	2016 R'000
<b>4. Deferred tax assets and liabilities</b>		
Balance at the beginning of the year	27 410	27 861
Acquired through business combinations	3 363	(1 654)
Movement per statement of comprehensive income	1 712	1 203
<b>Balance at end of the year</b>	<b>32 485</b>	<b>27 410</b>
Deferred tax balances are presented in the statement of financial position as follows:		
Deferred tax assets	44 251	36 919
Deferred tax liabilities	(11 766)	(9 509)
	<b>32 485</b>	<b>27 410</b>

#### 4. Deferred tax assets and liabilities (continued)

Deferred tax assets/(liabilities) arise from the following:

	Opening balance R'000	Recognised in profit and loss R'000	Closing balance R'000
<b>2017</b>			
<b>Temporary differences</b>			
Property, plant and equipment	(37)	(120)	(157)
Intangible assets	(6 597)	(107)	(6 704)
Intangible assets – acquired through business combination	(1 143)	(2 220)	(3 363)
Doubtful debts	14 651	2 482	17 133
Financial assets at fair value	–	(584)	(584)
Equity share-based payments	–	1 902	1 902
Financial liabilities	392	(392)	–
Provision for leave	2 321	506	2 827
Income received in advance	838	3 749	4 587
Long-term financial liabilities	(1 418)	1 418	–
Prepaid expenses	(314)	(23)	(337)
Available-for-sale-financial assets	317	(938)	(621)
Tax losses	18 400	(598)	17 802
	<b>27 410</b>	<b>5 075</b>	<b>32 485</b>
<b>2016</b>			
<b>Temporary differences</b>			
Property, plant and equipment	(51)	14	(37)
Intangible assets	(8 095)	1 498	(6 597)
Intangible assets – acquired through business combination	(1 654)	511	(1 143)
Doubtful debts	11 719	2 932	14 651
Financial liabilities	372	20	392
Provision for leave	2 016	305	2 321
Income received in advance	1 075	(237)	838
Long-term financial liabilities	(2 218)	800	(1 418)
Prepaid expenses	(351)	37	(314)
Available-for-sale-financial assets	170	147	317
Prior year reclassification	286	(286)	–
Tax losses	22 938	(4 538)	18 400
	<b>26 207</b>	<b>1 203</b>	<b>27 410</b>

Deferred tax assets on tax losses are only raised for companies that are expected to be profitable in the 2018 year. In making the above assessment, current foreseeable trends, as well as management approved budgets, were used. As a result of the aforementioned, management is confident that there will be sufficient taxable profits in the foreseeable future against which subsidiaries can utilise the recognised deferred tax asset. Taxable losses incurred by certain companies during the financial year can mostly be attributed to the effect of tax allowances on learnerships.

Unrecognised deferred tax assets arising from tax losses amount to R2 884 000 (2016: R3 894 892).

## Notes to the group financial statements (continued)

for the year ended 31 December 2017

### 5. Other financial assets

Other financial assets comprise the following investments:

	2017 R'000	2016 R'000
<b>Available-for-sale financial assets</b>		
Listed shares		
4 616 907 (2016: 4 616 907) shares in Primeserv Limited at fair value	2 770	2 309
<b>Fair value through profit and loss</b>		
Investment in cell captive	2 605	400
	5 375	2 709
<b>Available-for-sale reserve</b>		
Gross	(358)	(591)
Taxation	(103)	129
Net	461	(462)
Movement in statement of comprehensive income	461	(224)
<b>6. Trade and other receivables</b>		
Trade and other receivables can be summarised as follows:		
Trade receivables	693 289	591 661
Other receivables	19 897	17 437
Trade and other receivables	713 186	609 098
Prepayments	1 203	1 121
	714 389	610 219
<b>Trade receivables</b>		
Trade receivables can be analysed as follows for the periods under review:		
Net trade receivables excluding advances	505 036	420 125
Gross trade receivables	524 108	435 462
Impairment provisions	(19 072)	(15 337)
Net advances	188 253	171 536
Gross advances	250 768	224 963
Impairment provisions	(62 515)	(53 427)
	693 289	591 661

All amounts are short-term. The net carrying value of trade receivables is considered a reasonable approximation of fair value. Advances are shown at amortised cost which approximates fair value.

Trade and other receivables consist of a large number of customers, spread across diverse industries and geographical areas. Interest on advances are charged at rates compliant with the National Credit Act ("NCA") as prescribed by the National Credit Regulator ("NCR"). The management of this risk is set out in note 23.4.

During the year, the group discounted trade receivables to ABSA for cash proceeds. If the trade receivables are not paid at maturity date the bank has the right to request the group to pay the unsettled balance. As the group has not transferred the significant risks and rewards relating to these trade receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured borrowing (refer to note 10.2).

At the end of the reporting period the carrying amount of the trade receivables that have been transferred but have not been derecognised amounted to R462 million (2016: R374 million) and the carrying amount of the associated liability is R302 million (2016: R225 million).

## 6. Trade and other receivables (continued)

### Other receivables

Other receivables comprise the following:

	2017 R'000	2016 R'000
Deposits	3 062	2 306
Staff debtors	3 864	2 639
Sundry debtors	12 971	12 492
	19 897	17 437

Included in sundry debtors are amounts due from SETAs ("Sectorial Education and Training Authority"), in respect of training expenses for learnership and internship agreements registered with the SETAs in terms of the Skills Development Act (No. 97 of 1998). All conditions attached to these grants have been met.

Amounts due from SETAs in respect of mandatory grants can be reconciled as follows:

	2017 R'000	2016 R'000
Opening balance	2 463	2 545
Claims submitted and recognised in financial statements	3 694	3 705
Grants received	(3 722)	(3 787)
	2 435	2 463

The R3 694 000 (2016: R3 705 000) grants recognised have been set off against operating costs.

Amounts claimed for employment tax incentive can be reconciled as follows:

	2017 R'000	2016 R'000
Opening balance	10 375	8 313
Claims submitted and recognised in financial statements	66 595	61 457
Grants received	(66 012)	(59 395)
	10 958	10 375

The R66 595 000 (2016: R61 457 000) grants recognised have been set off against cost of sales.

### Trade and other receivables

#### Impairment provisions

Impairment provisions can be summarised as follows:

	2017 R'000	2016 R'000
Trade receivables	19 072	15 337
Advances	62 515	53 427
	81 587	68 764
Days sales outstanding (excluding advances)	53	46

All of the group's trade and other receivables have been reviewed for indicators of impairment. Certain trade receivables amounting to R19 309 million (2016: R42 506 million) were impaired and included in other expenses (refer to note 16). The impaired trade receivables are mostly due from customers in the business-to-business market that are experiencing financial difficulties.

## Notes to the group financial statements (continued)

for the year ended 31 December 2017

	2017 R'000	2016 R'000
<b>6. Trade and other receivables (continued)</b>		
<b>Trade and other receivables (continued)</b>		
Balance at the beginning of the year	68 764	55 804
Impairment losses raised	19 309	42 506
Amounts written off as uncollectible	(6 487)	(29 546)
	<b>81 587</b>	68 764

In determining the recoverability of a trade receivable, the group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Advances are limited in duration and extent. Accordingly, the Directors believe that there is no further impairment required.

## 7. Inventories

Inventories can be analysed as follows:

	2017 R'000	2016 R'000
Consumables	308	95
Merchandise	3 238	2 647
	<b>3 546</b>	2 742

The cost of inventories recognised as an expense during the year was R8 million (2016: R15 million). No write-downs of inventory to net realisable value have been made. No inventories are encumbered.

## 8. Cash and cash equivalents

Cash and cash equivalents include the following components:

Cash at bank and in hand	25 488	74 181
Short-term deposits	60	948
	<b>25 548</b>	75 129
The carrying value of cash and cash equivalents is considered a reasonable approximation of fair value.		

	Number of shares	2017 R'000	2016 R'000
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## 9. Stated capital

### Authorised

1 000 000 000 ordinary no par value shares

### Issued

Balance at the beginning of the year	243 731 434	241 867	241 867
Equity-settled share options	–	(7 486)	–
Balance at the end of the year	243 731 434	234 381	241 867

### Treasury shares

Balance at the beginning of the year	15 152 811	(9 330)	(9 488)
Share buy-back	1 575 000	(3 124)	(1 714)
Shares distributed	(2 332 326)	4 796	1 872
Balance at the end of the year	14 395 485	(7 658)	(9 330)

The employee share empowerment trust and its subsidiary are consolidated and treasury shares held by the subsidiary of the trust are treated as a reduction in the group's equity. Shares held by the group for purposes of settling equity share-based payments obligations are treated as reduction in the group's equity. For the purpose of the earnings per share calculation, the weighted average number of shares in issue is reduced by the treasury shares.

## 10. Financial liabilities

Financial liabilities include the following:

	Current		Non-current	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
<b>Secured liabilities at amortised cost</b>				
10.1 Loan on treasury shares, interest free and repayable on 31 December 2019	–	–	7 783	7 711
Gross amount owing	–	–	9 112	9 112
Imputed interest	–	–	(1 329)	(1 401)
10.2 Invoice discounting facility bearing interest at 0,5% below prime rate	243 046	245 078	–	–
10.3 Loan facility bearing interest at prime rate plus 3%	14 991	14 031	–	–
10.4 Instalment sale liabilities	956	851	2 110	1 970
10.5 Acquisition liability – prior year	7 500	–	–	–
Acquisition liability – current year (refer to note 28.2.3)	3 185	20 150	–	7 500
<b>Financial liabilities carried at fair value through profit or loss</b>				
Business combination contingent consideration payable				
10.6 Prior year	4 236	3 747	–	13 659
Current year (refer to note 28.1.3)	4 812	–	16 514	7 500
	278 726	283 857	26 407	30 840

10.1 The loan on treasury shares from Simgarvin Proprietary Limited, a related party, not part of the group, is repayable out of dividends received by a subsidiary of Simgarvin Proprietary Limited, and is secured by shares held in Workforce Holdings Limited. The loan is interest free and is repayable on 31 December 2019. Using a risk adjusted rate of 8,2%, the fair value of the loan is estimated at R7 783 218 (categorised as level 3 of the fair value hierarchy). The difference of R1 400 525 between the gross proceeds of the loan and the fair value of the loan is benefit derived from the interest free loan. Loss of R71 862 was recognised on this loan in the current year due to a renegotiation of the loan repayment date. R1 328 663 will be recognised as an interest expenses over the next two years.

## Notes to the group financial statements (continued)

for the year ended 31 December 2017

### 10. Financial liabilities (continued)

- 10.2 The group has entered into an invoice discounting and cession of debtors agreement with ABSA for a borrowing facility of R350 million (2016: R295 million) secured by cession of debtors. A subsidiary is bound as surety and co-principal debtor to the bank for due and punctual payment of the debtors. At year-end trade receivables to the value of R461 976 990 (2016: R373 687 329) were ceded to the bank.

The group retained significant risk and reward of ownership of the trade receivables due to ABSA's right of recourse against the group for any default of the debtor. The associated loan is granted by ABSA Bank on 80% of the value of trade receivables excluding advances, ceded to ABSA. The net position of the transferred assets and associated liability is an amount of R160 million, being the difference between the fair value of the assets transferred of R462 million and the fair value of the liability being R302 million.

- 10.3 Babereki Employee Support Services Proprietary Limited, a subsidiary of the group, has a short-term facility with Mercantile Bank to a limit of R15 million (2016: R15 million). This facility is secured by an unlimited pledge and cession of all present and future book debts of Babereki Employee Support Services. The amount of book debts of the subsidiary amounted to R188 million (2016: R174 million).
- 10.4 Instalment sale liabilities are secured over motor vehicles with a carrying value of R3 785 842 (2016: R1 460 340) bearing interest at rates approximating the prime overdraft rate and repayable in monthly instalments of approximately R121 600 (2016: R83 832).
- 10.5 Other financial liabilities include R10 685 000 representing the acquisition liability of Quyn Group, Day-Click Limited and Oxyon Human Capital Solutions. Terms of repayment are discussed in note 28.2.
- 10.6 Other financial liabilities include R25 562 000 representing the estimated fair value of the contingent consideration relating to the acquisition of KBC Holdings, (refer to note 28) and Prisma Training Solutions (acquired in the prior year). There has been no change in the fair value of the contingent consideration arising from the KBC acquisition since the acquisition date. In the current year the fair value of the contingent consideration arising from the Prisma acquisition in 2016 was adjusted to fair value (refer to note 16).

Fair value of the contingent consideration payable for KBC Holdings Proprietary Limited was calculated based on level three of the fair value hierarchy. A discounted cash flow calculation was performed to capture the present value of the expected future economic benefits that will flow out of the group arising from the contingent consideration. A discount rate of 17,5% was determined using the group's cost of capital. A 5% change in the discount rate used in isolation would not result in a significant change in the fair value.

Fair value of the contingent consideration payable for Prisma Training Solutions was calculated based on level three of the fair value hierarchy. A discount rate of 17,5% was determined using the group's cost of capital. Due to the short-term nature of the contingent consideration payable for Prisma Training Solutions, the effects of discounting is immaterial and a 5% adjustment in the discount rate would not result in a significant change in fair value.



## 11. Trade and other payables

Trade and other payables comprise:

	2017 R'000	2016 R'000
Trade payables	101 925	86 982
VAT payable	34 989	28 249
<b>Total trade and other payables</b>	<b>136 914</b>	<b>115 231</b>
Trade payables		
Trade creditors	33 266	49 185
Income received in advance	28 743	2 992
Audit fee accrual	650	647
Payroll liabilities	26 009	25 777
Accrual for paid annual leave	13 257	8 381
	<b>101 925</b>	<b>86 982</b>
All amounts are short-term and the carrying values of trade and other payables are considered to be a reasonable approximation of fair value.		

## 12. Revenue

An analysis of the group's revenue for the year is as follows:

Revenue from the rendering of services	2 759 721	2 461 151
Interest income on customer loans	24 608	23 309
Sale of goods	23 561	38 945
	<b>2 807 890</b>	<b>2 523 405</b>

See note 20 for an analysis of revenue by major products and services.

## 13. Finance income

Bank deposits	1 558	640
Financial instrument at amortised cost	(72)	71
	<b>1 486</b>	<b>711</b>

Included in finance income is a loss of R71 862 (2016: gain of R71 438) on financial instrument held at amortised cost – refer to note 10.1.

Investment revenue earned on financial assets, analysed by category of asset, is as follows:

Loans and receivables (including cash and bank balances)	1 558	640
Financial liabilities at amortised cost	(72)	71
	<b>1 486</b>	<b>711</b>

## 14. Finance costs

Interest on short-term borrowings	18 852	18 716
Amounts paid to vendors	1 055	3 456
Interest on bank overdrafts	3 453	4 319
	<b>23 360</b>	<b>26 491</b>

## Notes to the group financial statements (continued)

for the year ended 31 December 2017

	2017 R'000	2016 R'000
<b>15. Taxation</b>		
<b>Taxation recognised in profit and loss</b>		
Current tax expense		
Current year	(47)	(468)
Prior year	1 619	–
Reversal of deferred tax		
Reversal of temporary differences	5 075	1 203
Prior year adjustments	4 172	–
	<b>10 819</b>	<b>735</b>
<b>Taxation recognised in other comprehensive income</b>		
Deferred tax – Fair value remeasurement of available-for-sale financial assets	(103)	129
	<b>(103)</b>	<b>129</b>
<b>Estimated tax losses of subsidiaries of the group for utilisation against future taxable income:</b>		
Tax losses recognised for deferred tax	63 577	61 819
Tax losses not recognised for deferred tax	2 884	3 895
	<b>66 461</b>	<b>65 714</b>

The tax rate for the year can be reconciled as follows:

	2017 %	2016 %
Standard corporate tax rate	28,00	28,00
Adjusted for:		
Non-taxable income	(0,31)	–
Non-deductible expenses	2,35	0,49
Tax allowances*	(34,25)	(29,30)
Prior year tax adjustments	(1,66)	–
Previously unrecognised deferred tax	(6,72)	–
Effective tax rate	<b>(12,58)</b>	<b>(0,8)</b>

\* Tax allowances include employment tax incentives and learnership allowances, and are likely to occur in future.

## 16. Profit for the year

Profit before taxation for the year has been arrived at after charging/(crediting):

	2017 R'000	2016 R'000
<b>Gains on disposal of property, plant and equipment</b>	<b>(555)</b>	<b>(121)</b>
<b>Fair value adjustments</b>		
Gain on adjustment of contingent consideration payable on business combination	15 004	–
Fair value adjustment of cell captive investment	2 205	–
Fair value adjustment of contingent consideration	(6 844)	(3 463)
	<b>10 365</b>	<b>(3 463)</b>
Government grants received for employment tax incentive – refer to note 6	(66 595)	(61 457)
<b>Employee contribution expense</b>		
Contribution to provident fund	23 097	20 542
<b>Equity-settled share-based payments</b>	<b>5 227</b>	<b>2 536</b>
<b>Staff costs</b>	<b>329 748</b>	<b>270 398</b>
The number of employees of the group at the financial year-end	<b>1 343</b>	<b>1 186</b>

	2017 R'000	2016 R'000
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## 16. Profit for the year (continued)

### Auditor's remuneration

Audit fees	2 333	2 424
	<b>2 333</b>	<b>2 424</b>

### Operating lease rentals

Premises	29 882	29 085
Equipment	5 260	6 156
	<b>35 142</b>	<b>35 241</b>

## 17. Earnings per share

### Basic earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

Profit attributable to equity shareholders of the parent company (R'000)	98 542	91 604
Weighted average number of ordinary shares in issue ('000)	229 336	228 577
Diluted weighted average number of shares in issue ('000)	238 973	240 643
Basic earnings per share (cents)	43,0	40,1
Diluted earnings per shares (cents)	41,2	38,1

### Headline earnings per share

The earnings used in the calculation of headline earnings per share are as follows:

Profit attributable to equity shareholders of the parent company (R'000)	98 542	91 604
Headline earnings adjustment (R'000)	(400)	(87)
Gain on disposal of property, plant and equipment (R'000)	(555)	(121)
Tax effects of adjustments (R'000)	155	34

Total headline earnings (R'000)	98 142	91 517
Weighted average number of shares in issue ('000)	229 336	228 577
Headline earnings per share (cents)	42,8	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:		
Shares deemed to be issued for no consideration in respect of:		
Employee options	9 637	12 066

Weighted average number of ordinary shares in the calculation of diluted earnings per share	238 973	240 643
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## 18. Group net asset value per share (cents per share)

Equity (R'000)	542 345	446 768
Other Intangible assets (R'000)	44 247	39 130
Goodwill (R'000)	134 480	102 287
Weighted average number of shares in issue ('000)	229 336	228 577
Group net asset value per share (cents per share)	237	195
Tangible group net asset value per share (cents per share)	159	134

## Notes to the group financial statements (continued)

for the year ended 31 December 2017

	2017 R'000	2016 R'000
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### 19. Notes to the statement of cash flows

#### 19.1 Cash generated from operations

Profit before taxation	85 985	91 168
Interest income	(1 486)	(711)
Other income	(1 032)	(720)
Finance costs	23 360	26 489
<b>Adjusted for non-cash items:</b>		
Gain on disposal of property, plant and equipment	(555)	(121)
Depreciation and amortisation of non-financial assets	26 080	17 476
Gain arising on financial liability at fair value through profit or loss	(10 385)	–
Expense recognised in respect of cash-settled share-based payment	1 666	–
Expense recognised in respect of equity-settled share-based payment	5 227	3 408
	<b>128 860</b>	<b>136 989</b>

#### 19.2 Taxation paid

Charged to profit or loss	10 819	735
Adjusted for deferred tax	(9 210)	(2 400)
Movement in taxation balance	(971)	221
	<b>638</b>	<b>(1 444)</b>

#### 19.3 Working capital changes

Change in trade and other receivables	(100 527)	(52 182)
Change in inventories	(486)	1 369
Change in trade and other payables	9 307	10 262
	<b>(91 706)</b>	<b>(40 551)</b>

#### 19.4 Net cash flow on acquisition of business combinations

Net cash outflow on the acquisitions of subsidiaries	(21 959)	(41 881)
Net cash outflow on the acquisitions of subsidiaries – prior year acquisitions	(21 179)	–
	<b>(43 138)</b>	<b>(41 881)</b>

#### 19.5 Equity-settled share-based payments

Employees received shares in settlement of the equity-settled share-based payment scheme. The employees were given the option of retaining the shares they were granted, or selling their shares on the open market. The company sold the shares on the employees behalf and paid to them the proceeds from the sale.

	1 January 2017	Cash flows	Non-cash flows	3 December 2017
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#### 19.6 Changes in liabilities arising from financing activities

Non-current Treasury share loan	7 711	–	(72)	7 783
Interest-bearing borrowings	259 109	1 072	–	258 037
Instalment sales liabilities	2 118	948	–	3 066
	<b>268 938</b>	<b>2 020</b>	<b>(72)</b>	<b>268 886</b>

### 20. Segment reporting

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

- Staffing and Outsourcing: Comprising temporary employment services, permanent recruitment, executive search, payroll management, HR and IR consulting services, disability solutions, turnkey staffing solutions and business process outsourcing solutions;

## 20. Segment reporting (continued)

- Training and Consulting: Comprising accredited short courses, skills programmes, full qualifications, learnerships, apprenticeships, internships and adult education training ("AET");
- Financial and Healthcare: Comprising funeral cover, hospital cover, day-to-day medical insurance, lending products, primary healthcare, occupational healthcare, employee wellness programmes and health risk assessments.

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 a simpler understanding and communication of the performance of the business.

Due to the above change in reporting segments the prior year segment information has been restated.

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

	Staffing and Out- sourcing R'000	Training and Consulting R'000	Financial and Healthcare R'000	Shared Services and Central costs R'000	Consoli- dation entries R'000	Total R'000
<b>2017</b>						
Segment revenues	2 521 071	158 000	127 005	1 814	–	2 807 890
Inter-segment revenue	23 085	17 681	1 474	–	(42 240)	–
Cost of sales	(2 054 073)	(70 119)	(45 254)	(3 015)	–	(2 172 461)
Inter-segment cost of sales	(22 400)	(8 566)	–	–	30 966	–
Operating costs	(295 249)	(60 995)	(67 091)	(89 552)	–	(512 887)
Inter-segment operating costs	(685)	(9 115)	(1 474)	–	11 274	–
Fair value adjustments	–	(3 464)	2 205	11 624	–	10 365
Other income	–	92	940	–	–	1 032
EBITDA	171 749	23 514	17 805	(79 129)	–	133 939
Depreciation and amortisation of non-financial assets	(3 468)	(3 372)	(2 936)	(5 866)	(10 435)	(26 080)
Net finance costs	(98)	748	(857)	(21 667)	–	(21 874)
<b>Segment profit/(loss) before tax</b>	<b>168 183</b>	<b>20 890</b>	<b>14 009</b>	<b>(106 662)</b>	<b>(10 435)</b>	<b>85 985</b>
Capital expenditure	9 737	8 599	4 845	2 103	12 012	37 296
Segment total assets	519 019	110 711	244 849	312 728	(191 149)	996 158
Segment total liabilities	(111 240)	(88 885)	(272 158)	(21 992)	40 462	(453 813)
<b>Net segment assets/(liabilities)</b>	<b>407 779</b>	<b>21 826</b>	<b>(27 309)</b>	<b>290 736</b>	<b>(150 687)</b>	<b>542 345</b>
<b>2016</b>						
Segment revenues	2 301 670	88 375	132 998	362	–	2 523 405
Inter-segment revenue	14 348	16 361	4 026	–	(34 735)	–
Cost of sales	(1 833 073)	(44 012)	(44 755)	(2 585)	–	(1 924 425)
Inter-segment cost of sales	(13 974)	–	(4 026)	–	18 000	–
Operating costs	(288 739)	(34 409)	(71 970)	(83 427)	16 735	(461 810)
Fair value adjustment	–	(3 464)	–	–	–	(3 464)
Other income	–	–	720	–	–	720
EBITDA	180 232	22 851	16 993	(85 650)	–	134 426
Depreciation and amortisation of non-financial assets	(3 804)	(863)	(3 042)	(4 875)	(4 891)	(17 476)
Net finance costs	528	(29)	(1 573)	(24 706)	–	(25 780)
<b>Segment profit/(loss) before tax</b>	<b>176 956</b>	<b>21 959</b>	<b>12 378</b>	<b>(115 231)</b>	<b>(4 891)</b>	<b>91 170</b>
Capital expenditure	21 613	1 591	4 014	–	–	27 218
Segment total assets	408 122	79 401	224 837	174 790	–	887 150
Segment total liabilities	(59 754)	(64 249)	(240 117)	(76 262)	–	(440 382)
<b>Net segment assets/(liabilities)</b>	<b>348 368</b>	<b>15 152</b>	<b>(15 280)</b>	<b>98 528</b>	<b>–</b>	<b>446 768</b>

## Notes to the group financial statements (continued)

for the year ended 31 December 2017

### 21. Leases

#### Operating leases as lessee

The group's non-cancellable operating lease commitments are as follows:

	2017 R'000	2016 R'000
Minimum future lease payments due:		
Not later than one year	3 012	5 543
Later than one year and not later than five years	7 264	5 065
	10 276	10 608

Lease payments recognised as an expense during the year amount to R35,1 million (2016: R35,2 million). This amount consists of minimum lease payments. No sublease income is expected as all assets held under lease agreements are used exclusively by the group.

The group's operating lease agreements do not contain any contingent rent clauses. None of the operating lease agreements contain restrictions that would impose additional debt. Contract renewal options are assumed to be exercised by the group, unless decided otherwise by management. There are no contractual commitments to acquire property, plant and equipment and intangible assets.

	Notes	2017 R'000	2016 R'000
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### 22. Financial instruments

#### 22.1 Categories of financial instruments

##### Financial assets

##### Available-for-sale financial assets

##### Non-current financial assets

##### Listed shares

5

##### Fair value through profit and loss

##### Investment in cell captive

5

##### Loans and receivables

##### Financial trade and other receivables

6

##### Cash and cash equivalents

8

##### Net gain on loans and receivables

##### Financial liabilities

##### Financial liabilities measured at amortised cost

##### Non-current:

##### Borrowings

10

##### Treasury share loan

10

##### Current:

##### Borrowings

10

##### Financial trade and other payables

11

##### Net (loss)/gain on financial liabilities measured at amortised cost

	2017 R'000	2016 R'000
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## 22. Financial instruments (continued)

### 22.1 Categories of financial instruments (continued)

*Financial liabilities measured at fair value*

Non-current:

Contingent consideration relating to business combination	10	<b>16 514</b>	21 159
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Current:

Contingent consideration relating to business combination	10	<b>19 733</b>	23 897
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		<b>329 527</b>	368 922
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No other gains or losses have been recognised in respect of loans and receivables.

A description of the group's risk management objectives and policies for financial instruments is given in note 23.

### 22.2 Fair value of financial instruments

Unless otherwise disclosed, the Directors consider that the carrying amount of financial assets and liabilities recognised at amortised cost in the financial statements, approximates their fair values. The fair values of financial assets and liabilities and impairment losses on financial assets are presented in the related notes. The fair values of financial instruments included in the level 2 and level 3 categories have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

The fair values of financial assets and financial liabilities are characterised into three levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

Financial asset/financial liability	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	2017	2016				
Listed shares	<b>2 770</b>	2 309	Level 1	Quoted bid prices in active market	N/A	N/A
Investment in cell captive	<b>2 605</b>	400	Level 3	Net asset value is used as a valuation technique where the underlying assets and liabilities have been assessed to represent the fair value of the investment. Due to the nature of the investment, specifically the significant composition of liquid assets and liabilities, the net asset value is seen to be the most appropriate representation of fair value	Fair values of underlying assets and liabilities	A slight increase or decrease in the fair value of the underlying assets and liabilities should not result in a significant change in the fair value



## Notes to the group financial statements (continued)

for the year ended 31 December 2017

### 22. Financial instruments (continued)

#### 22.2 Fair value of financial instruments (continued)

Financial asset/financial liability	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	2017	2016				
Treasury share loan	(7 783)	(7 711)	Level 3	Discounted cash flow method was used to capture the present value of the expected future economic benefits that will flow out of the group	A risk adjusted discount rate of 8,2%	A slight increase in the discount rate used in isolation would not result in significant decrease in the fair value (see note below)
Contingent consideration	(9 048)	(17 406)	Level 3	Discounted cash flow method was used to capture the present value of the expect future economic benefits that will flow out of the group	The discount rate of 17,5% determined using the capital asset pricing model	A slight increase in the discount rate used in isolation would not result in significant decrease in the fair value (see note below)
					The probability adjusted profits with ranges of 5,3 million to and 16,8 million respectively	A slight increase in the probability adjusted profits used in isolation would not result in a significant increase in the fair value (see note 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 R280 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 R566 000 (2016: R675 000).

#### Contingent consideration

A 5% increase/decrease in the probability adjusted profits while holding all other variables constant would increase/decrease the carrying amount of the contingent consideration by R 350 000 (2016: R 249 326).

Their were no transfers between level 1 and level 2 in the period.

#### Reconciliation of level 3 fair value measurements

	Investment in cell captive	Treasury share loan	Contingent consideration	Total
<b>2017</b>				
Opening balance	400	(7 711)	(17 406)	(24 717)
Gain/(loss) in profit or loss	2 205	(72)	6 844	8 977
Additions	–	–	(21 326)	(21 326)
Release on liability	–	–	22 840	22 840
Closing balance	2 605	(7 783)	(9 048)	(14 226)

## 22. Financial instruments (continued)

### 22.2 Fair value of financial instruments (continued)

#### Reconciliation of level 3 fair value measurements (continued)

	Investment in cell captive	Treasury share loan	Contingent consideration	Total
<b>2016</b>				
Opening balance	400	(7 783)	(21 972)	(29 355)
Gain/(loss) in profit or loss	–	72	3 464	3 536
Additions	–	–	–	–
Release on liability	–	–	1 102	1 102
Closing balance	400	(7 711)	(17 406)	(24 717)

## 23. Financial risk management

The group is exposed to various risks in relation to financial instruments. The group's financial assets and liabilities by category are summarised in note 22.1. The main types of risks are market risk, credit risk and liquidity risk.

The group's financial risk management is coordinated at its headquarters, in close cooperation with the Board of Directors, and focuses on actively securing the group's short to medium-term cash flows.

The group does not enter into or trade financial instruments for speculative purposes. Borrowings have, however, been structured in such a way as to minimise financial risks, limit borrowing costs, as well as to facilitate growth. Borrowings are by and large secured by the securitisation of the group's debtors book.

The group is exposed to market risk through its use of financial instruments and specifically to interest rate risk, and certain other price risks, which result from both its operating and investing activities. Exposure to foreign currency risk is considered to be immaterial.

### 23.1 Interest rate risk management

The group is exposed to interest rate risk as it borrows funds, at rates linked to the prime overdraft rate. The group's ability to manage exposure to interest rate fluctuations is limited. However, interest rates are constantly monitored and the group will take steps to limit its exposure if possible.

Total interest-bearing borrowings amount to R249 million (2016: R259 million). Details of the interest rates payable are set out in note 10 and 12.

Sensitivity of profit to a reasonably possible change in interest rates of +- 1% is illustrated by the following table:

	Profit for the year	
	R'000 +1%	R'000 -1%
<b>31 December 2017</b>	<b>(2 802)</b>	<b>2 802</b>
31 December 2016	(3 039)	3 039

Management's expectation is that interest rates may decrease. The group's sensitivity to interest rate fluctuations has not changed significantly from the prior year. The interest rate sensitivity has been calculated, applying the closing borrowings rate on the average borrowing amount for the year.

## Notes to the group financial statements (continued)

for the year ended 31 December 2017

### 23. Financial risk management (continued)

#### 23.2 Other price risk sensitivity

The group is exposed to equity price risk arising from an equity investment as set out in note 5. Equity investments are considered to be long-term and held for strategic rather than trading purposes.

The impact on profit and equity if equity prices had been 5% higher/lower is illustrated by the following table:

	Profit for the year		Other equity reserves	
	R'000 +5%	R'000 -5%	R'000 +5%	R'000 -5%
31 December 2017	944	(944)	–	–
31 December 2016	143	(143)	–	–

Management's view is that the equity investment may increase in value during the 2018 financial year. As the shares are classified as available-for-sale, no effect on profit or loss would have occurred, unless where any decline in fair value to below cost resulted from the impairment of the asset. The group's sensitivity to equity prices has not changed significantly from the prior year.

The equity price risk has been calculated, applying the percentage movement on closing financial assets for the year.

The entity is not exposed to any foreign currency fluctuations.

#### 23.3 Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group.

The group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The information is supplied by independent rating agencies where available and, if not available, the group uses other publicly available financial information and its own trading records to rate its major customers. The group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by management on an annual basis.

The group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at reporting date, as summarised below:

	2017 R'000	2016 R'000
Net trade receivables	505 036	420 125
Other receivables	19 897	17 437
Net advances	188 253	171 536
Cash and cash equivalents	25 548	75 129
	<b>738 734</b>	<b>684 227</b>

All the above financial assets that are not impaired or past due for each of the reporting dates under review, are considered by management to be of good credit quality.

The credit terms on rendering of services are 30 – 60 days and interest may be charged on all overdue outstanding balances. Ongoing credit evaluation is performed on the financial condition of accounts receivable. The average term of credit advances issued is five months.

The group has performed a detailed analysis of all past due amounts, and has impaired all amounts regarded as not collectable. Overdue amounts that have not been impaired are considered to be recoverable.

## 23. Financial risk management (continued)

### 23.3 Credit risk management (continued)

Before accepting any new customers, or increasing the credit limit allowed for an existing customer, the risk associated with the customer is assessed by the group's credit vetting department, using generally accepted vetting techniques. The acceptance of a new customer is authorised by senior management. For advances, the potential customer's credit quality, including relevant credit bureau checks, in compliance with the requirement of the National Credit Act (No. 34 of 2005) is assessed.

At the reporting date, there is only customer representing more than 5% of the total balance of the trade receivables.

Included in the group's trade receivables are debtors with a carrying amount of R98,4 million (2016: R52,6 million) which are past due at the reporting date for which the group has not provided, as the amounts are expected to be recovered in the next financial year.

The group has entered into an invoice discounting and cession of debtors agreement with ABSA for a borrowing facility of R350 million (2016: R295 million) secured by cession of debtors. A subsidiary is bound as surety and co-principal debtor to the bank for due and punctual payment of the debtors. In management's opinion the sensitivity analysis is unrepresentative of the inherent risk because the exposure at the end of the reporting period does not reflect the exposure during the year. The amount of trade receivables of the subsidiary amounted to R302 million (2016: R225 million).

All accounts receivable amounts of the group have been transferred to ABSA Bank in terms of an invoice discounting and cession agreement. The group retained significant risk and reward of ownership of the trade receivables due to the terms and conditions of the contract. The associated loan is granted by ABSA Bank on 80% of the value of trade receivables excluding advances, ceded to ABSA.

#### Credit risk exposure – trade debtors

Ageing of amounts included in trade receivables that are past due at the end of the reporting period but against which the group has not recognised an allowance for doubtful receivables because there has not been a significant change in credit quality and the amounts are still considered recoverable, are as follows:

	2017 R'000	2016 R'000
60 – 90 days	43 025	31 483
90 – 120 days	15 529	8 879
120+ days	29 270	12 286
	85 824	52 648

The group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amount owed by the group to the counterparty.

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

#### Credit risk exposure – advances

The group grants unsecured loans. Credit concentration risk is considered low due to the nature and distribution of the loan book, the average loan value advanced is R2 000 and customers range from various economic sectors and geographic regions. Exposure to systematic credit risk is regarded as being potentially higher due to the demographic credit characteristics of the client base.

Measures taken by the group to limit credit risk to acceptable levels include, *inter alia*, the application of standard credit acceptance procedures to assess potential clients, daily monitoring of collectible balances at both branch and head office level and monitoring by the credit and risk committees. No security is obtained for loans and advances, and accordingly the entire balance as per the statement of financial position is exposed to credit risk. We provide our customers with the option to take out the appropriate credit life insurance through a third party cell captive. The exposure within the cell captives is fully re-insured to the reinsurance market. The credit quality of loans and advances is disclosed in note 6.

## Notes to the group financial statements (continued)

for the year ended 31 December 2017

### 23. Financial risk management (continued)

#### 23.3 Credit risk management (continued)

##### Credit risk exposure – advances (continued)

Credit risk is managed through every stage of the credit life cycle by following a combination of governance, decision support and business support. Governance includes regulators, industry associations, the group's financial governance and committees which supports and influences credit strategy. At the statement of financial position date the number of outstanding loans was R90 895 (2016: R40 191).

#### 23.4 Liquidity risk management

The group manages liquidity risk by constantly monitoring its future commitments as well as available banking facilities and reserve borrowing facilities. Net cash requirements are compared to available borrowing facilities in order to determine headroom or any shortfalls and if available borrowing facilities are expected to be sufficient over the lookout period. The necessary remedial action is taken as and when required.

Liquidity needs are monitored on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day lookout period are identified monthly.

The group's contractual maturities (including interest payments where applicable) are summarised below:

	Current		Non-current	
	Within six months R'000	Six to 12 months R'000	One to five years R'000	Later than five years R'000
<b>2017</b>				
Loan on treasury shares	–	–	7 783	–
Bank loans	–	243 046	–	–
Instalment sale liabilities	478	478	2 110	–
Amount due for acquisition of subsidiary	–	–	16 514	–
Trade and other payables	33 916	–	–	–
	<b>34 394</b>	<b>243 524</b>	<b>26 407</b>	<b>–</b>
<b>2016</b>				
Loan on treasury shares	–	–	7 711	–
Bank loans	245 078	–	–	–
Instalment sale liabilities	426	426	1 970	–
Amount due for acquisition of subsidiary	–	23 897	21 159	–
Trade and other payables	50 832	–	–	–
	<b>296 336</b>	<b>24 323</b>	<b>30 840</b>	<b>–</b>

The above amounts reflect the contractual undiscounted cash flows, which may differ to the carrying values of the liabilities at the reporting date.

### 24. Capital management

The group's capital management objectives are to ensure the group's ability to continue as a going concern, and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk. The group's overall strategy remains unchanged from 2016.

The group monitors capital through the optimisation of the debt and equity balance. The capital structure of the group consists of debt (borrowings, offset by cash and bank balances) and equity (comprising issued capital, reserves, retained earnings and non-controlling interests). The Directors review the capital structure on an annual basis. As part of this review the cost of capital and the risks associated with each class of capital is considered.

The group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The group's goal in capital management is to maintain a debt:equity ratio of between 0,5 and 1,1.

	2017 R'000	2016 R'000
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## 24. Capital management (continued)

The gearing ratio for the reporting periods under review was as follows:

Long and short-term borrowings	305 133	314 697
Cash and cash equivalents	(25 548)	(75 129)
<b>Net debt</b>	<b>279 585</b>	<b>239 568</b>
<b>Total equity</b>	<b>542 345</b>	<b>446 768</b>
<b>Net debt-to-equity ratio</b>	<b>0,52</b>	<b>0,54</b>
<b>Total assets</b>	<b>996 158</b>	<b>887 150</b>
<b>Net-debt-to-assets ratio</b>	<b>0,28</b>	<b>0,27</b>

## 25. Related-party transactions

### 25.1 Transactions with related parties

During the year the group entities entered into the following arm's length transactions with related parties that are not members of the group:

	2017 R'000	2016 R'000
<b>Wellington Property Investments Proprietary Limited</b>	<b>12 234</b>	<b>14 006</b>
<i>Relationship:</i>		
Director has significant influence		
<i>Type and term of transaction:</i>		
Operating lease rentals paid monthly, in line with lease agreement.		
<b>Vunani Capital Proprietary Limited</b>	<b>114</b>	<b>107</b>
<i>Relationship:</i>		
Shareholder		
<i>Type and term of transaction:</i>		
Designated advisor's fees paid in terms of service level agreement.		
<b>Hunts Attorneys</b>	<b>3 577</b>	<b>3 557</b>
<i>Relationship:</i>		
Director with an interest in a legal practice – RS Katz		
<i>Type and term of transaction:</i>		
Disbursements for all cost related to litigation, commercial and labour legal work and advice on group's behalf.		
<b>Guardrisk Insurance Company Limited</b>		
<i>Relationship:</i>		
Cell captive arrangement (refer to note 25.3)		
<i>Type and term of transaction:</i>	<b>1 687</b>	<b>2 464</b>
Insurance premium paid monthly to cell captive in line with policy.		
<b>Monte Legal Consultants Proprietary Limited</b>		
<i>Relationship:</i>	<b>67</b>	<b>454</b>
Shareholder		
<i>Type and term of transaction:</i>		
Advisor's fees in terms of business acquisitions.		

## Notes to the group financial statements (continued)

for the year ended 31 December 2017

	2017 R'000	2016 R'000
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### 25. Related-party transactions (continued)

#### 25.2 Related-party loans

Amounts due from/(payable to) related parties are as follows:

##### **Simgarvan Investments Proprietary Limited**

*Relationship:*

Company controlled by a director of the group.

(7 783) (7 711)

##### **Hunts Attorneys**

*Relationship:*

Director with an interest in a legal practice – RS Katz.

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#### 25.3 Interests in unconsolidated structured entity

The group is involved with an unconsolidated structured entity through a cell captive administrated by Guardrisk Insurance Company Limited. The company's purpose is to provide credit insurance to customers of the group's credit lending business, as well as insuring accidental death claims by employees. The group got involved in this entity as it seemed to be the most efficient vehicle to provide these services to employees and customers.

Contractually, the group is obliged to make additional funds available should the cell captive not meet its solvency requirements. The maximum potential future loss associated with the cell captive is potentially unlimited by nature of this agreement, in the event that the cell captive does not meet its solvency requirements. An actuarial opinion has, however, been obtained which states that the group does not appear to be exposed to significant amounts of market, credit, liquidity or business risk in this regard.

The company has retained earnings of R417 678 (2016: R636 308) which the group can access through a dividend as and when liquidity ratios allow.

The entity is funded with an initial contribution to equity to the amount of R400 000, as well as contributions by lenders and staff, paid over as disclosed above. No additional financial support has been given to this entity outside of the initial R400 000 capital in a previous financial year.

	2017 R'000	2016 R'000
Assets of cell captive	362	436
Current liabilities of cell captive	(591)	(741)

	% holding
--	-----------

#### 25.4 Subsidiaries

The company's directly owned subsidiaries are as follows:

##### **Direct subsidiaries**

Allmed Healthcare Professionals Proprietary Limited	100
Debtworx Proprietary Limited	100
Fempower Proprietary Limited	100
KBC Holdings Proprietary Limited	100
Molapo Quyn Outsourcing Proprietary Limited	100
Nursing Emergencies Proprietary Limited	100
Programmed Process Outsourcing Proprietary Limited	100
Quyn HR Consulting Proprietary Limited	100
Quyn International Outsourcing Proprietary Limited	100
Quyn Payrolling Services Proprietary Limited	100
Rapitrade 465 Proprietary Limited	100



	% holding
<b>25. Related-party transactions (continued)</b>	
<b>25.4 Subsidiaries (continued)</b>	
<b>Direct subsidiaries (continued)</b>	
Sizuluntu Northern Cape Proprietary Limited	48
Sizuluntu Staffing Solutions Proprietary Limited	48
Telebest Holdings Proprietary Limited	100
The Workforce Group Proprietary Limited	100
Workforce Management Services Proprietary Limited	100
Workforce Outsourcing Proprietary Limited	100
Details of the subsidiaries indirectly held are set out below:	
<b>Indirect subsidiaries</b>	
Angola The Workforce Group Limitada	100
Babereki Employee Support Services Proprietary Limited	100
Day-Click Limited	76
Essential Employee Benefits Proprietary Limited	100
Fads Proprietary Limited	100
Glen Moray Proprietary Limited	100
Interchange Business Consulting Proprietary Limited	100
Jet Talent Proprietary Limited	50
KBC Health & Safety Proprietary Limited	100
Khetha Staffing Services Proprietary Limited	100
Only The Best Proprietary Limited	100
Pha Phama Africa Investments Proprietary Limited	100
Pha Phama Africa Staff Services Proprietary Limited	100
Prisma Training Solutions Proprietary Limited	100
Qunu Workforce Proprietary Limited	49
Teleresources Proprietary Limited	100
The Workforce Group Mauritius Limited	100
Training Force Namibia Proprietary Limited	100
Training Force Proprietary Limited	100
Workforce Finance Proprietary Limited	100
Workforce Group Sociedade Unipessoal Limitada	100
Workforce Healthcare Proprietary Limited	50
Workforce Software Proprietary Limited	100
Workforce Worldwide Staffing Proprietary Limited	100

The Group owns 50% of Workforce Health Care Proprietary Limited, 50% of Jet Talent Proprietary Limited, 49% of Qunu Workforce Proprietary Limited, 48% Sizuluntu Staffing Solutions Proprietary Limited and 48% Sizuluntu Northern Cape Proprietary Limited. However, based on the contractual agreements between the group and other investors, the relevant activities of Workforce Health Care Proprietary Limited, Jet Talent Proprietary Limited, Qunu Workforce Proprietary Limited, Sizuluntu Staffing Solutions Proprietary Limited and Sizuluntu Northern Cape Proprietary Limited are determined by the Board of Directors of the group. The Pha Phama Africa Employee Empowerment Trust and its subsidiary Pha Phama Africa Investments Proprietary Limited are consolidated in line with the requirements of IFRS 10: Consolidated Financial Statements and the subsidiary of the share trust is the beneficial owner of 14 370 000 (2016: 14 370 000) shares in Workforce Holdings Limited. The cost of these shares amounted to R7 615 838 (2016: R7 615 838).

## Notes to the group financial statements (continued)

for the year ended 31 December 2017

### 25. Related-party transactions (continued)

#### 25.5 Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	Basic remune- ration R	Medical contribu- tions R	Allow- ances R	Retire- ment contri- butions R	Share incentive payments R	Short-term incentives R	Total R
<b>2017</b>							
<i>Executive Directors</i>							
PM Froom	2 505 029	68 784	255 268	209 350	–	725 000	3 763 431
RS Katz	3 195 615	133 056	–	–	–	300 000	3 628 671
WP van Wyk	1 710 646	–	11 908	144 470	445 500	200 000	2 512 524
<i>Non-Executive Directors</i>							
S Naidoo	114 353	–	–	–	–	–	114 353
S Thomas	185 833	–	–	–	–	–	185 833
JR Macey	200 063	–	–	–	–	–	200 063
K Vundla	112 603	–	–	–	–	–	112 603
<i>Prescribed Officers</i>							
Employee A	2 633 306	49 626	409 181	214 890	297 000	1 614 594	5 218 597
Employee B	1 982 480	53 346	54 907	169 227	297 000	1 159 928	3 716 888
Employee C	1 415 891	49 980	150 591	119 788	297 000	805 160	2 838 410
	<b>14 055 819</b>	<b>354 792</b>	<b>1 537 015</b>	<b>857 725</b>	<b>1 336 500</b>	<b>4 149 522</b>	<b>22 291 373</b>
<b>2016</b>							
<i>Executive Directors</i>							
PM Froom*	907 726	21 588	107 502	81 757	–	350 000	1 468 573
RS Katz	2 431 587	121 740	440 280	–	–	200 000	3 193 607
WP van Wyk	1 511 583	–	12 000	157 311	570 000	175 000	2 425 894
<i>Non-Executive Directors</i>							
M Anderson	106 883	–	–	–	–	–	106 883
L Letlape	55 400	–	–	–	–	–	55 400
JR Macey	275 840	–	–	–	–	–	275 840
K Vundla	132 960	–	–	–	–	–	132 960
<i>Prescribed Officers</i>							
Employee A	2 402 055	45 138	395 340	235 200	380 001	759 947	4 217 681
Employee B	1 777 527	47 658	62 350	188 597	190 002	1 722 186	3 988 320
Employee C	1 613 349	83 657	120 000	–	38 002	606 488	2 461 496
	<b>11 214 910</b>	<b>319 781</b>	<b>1 137 472</b>	<b>662 865</b>	<b>1 178 005</b>	<b>3 813 621</b>	<b>18 326 654</b>

Compensation paid to key management personnel has all been done through The Workforce Group Proprietary Limited. Prescribed officers above are not necessarily the same year-on year.

\* Appointed 15 August 2016.

## 25. Related party transactions (continued)

### 25.6 Directors' interest in share capital

The Directors' interest in share capital at year-end and at the date of this report were as follows:

	Beneficial	
	Direct '000	Indirect '000
<b>2017</b>		
RS Katz	–	65 860
PM Froom	339	–
WP van Wyk	1 118	–
S Naidoo	–	*
M Anderson (Alternate Director)*	–	*
	<b>1 457</b>	<b>65 860</b>
<b>2016</b>		
RS Katz	–	65 860
PM Froom	339	–
WP van Wyk	833	–
M Anderson*	–	*
	<b>1 172</b>	<b>65 860</b>

\* These Directors have an interest in Vunani Capital Proprietary Limited, which owns 42 900 000 shares in the company.

## 26. Equity-settled employee benefits

### 26.1 Equity-settled share-based payments

#### Details of the employee share appreciation rights scheme

The company has a share appreciation right scheme for certain directors, management and staff of the company and its subsidiaries. In accordance with the terms of the scheme, as approved by shareholders at a previous annual general meeting, key staff members with more than three years' service may be granted share appreciation rights. Any cash awards received under this scheme are required to be applied exclusively towards the subscription and/or purchase of ordinary shares in the company.

Each employee share appreciation right provides the employee with a call option where the payoff is the difference between the market value of the company share and the strike price of the share on exercise date. No amounts are paid to dividends or voting rights. Share appreciation rights may be exercised at any time from the date of vesting until the date of their expiry.

Share appreciation rights issued on	Number	Vest date	Grant date	Exercise price	Fair value at grant date	Fair value total
13 November 2017	17 331 000	13 October 2020	10 November 2017	151 cents	150 cents	12 201 091
25 October 2016	14 298 000	25 October 2019	25 October 2016	155 cents	190 cents	13 793 059
22 June 2015	5 435 000	30 June 2018	22 June 2015	120 cents	25 cents	1 368 013

## Notes to the group financial statements (continued)

for the year ended 31 December 2017

### 26. Equity-settled employee benefits (continued)

#### 26.1 Equity-settled share-based payments (continued)

##### Details of the employee share appreciation rights scheme (continued)

Included in the above allocation, the following have been granted to Directors:

	2017	2016
PM Froom	5 000 000	5 325 000
WP Van Wyk	1 000 000	750 000

There are no share appreciation rights exercisable at the end of the current financial year.

Fair value of the share appreciation rights granted during the year.

The fair value of the share appreciation rights is R27 026 690 (2016: R15 597 562) of which R5 227 597 (2016: R1 535 522) has been recognised in profit or loss and has been adjusted based on management's best estimate for the effects of non-transferability exercise restrictions and behavioural considerations.

#### 26.2 Movement in share options during the year

	Number of options 2017	Weighted average exercise price 2017	Number of options 2016	Weighted average exercised price 2016
Balance at the beginning of the year	25 243 000	1,16	24 094 000	0,66
Options granted during the year	17 331 000	1,51	14 298 000	1,55
Options forfeited during the year	–	–	(5 225 000)	0,50
Options exercised during the year	(8 900 000)	0,50	(7 924 000)	0,50
	33 674 000	1,05	25 243 000	1,16

	Number of shares exercised	Exercise date	Share price at exercise date
Share options exercised during the year	8 900 000	1 July 2017	1,50
Granted on 1 December 2013			

All the options have been valued using the widely accepted Black-Scholes-Merton model. This model is used to value options traded openly in the market.

This methodology takes into account the following factors:

- The exercise price of the option;
- The dates at which the option can be exercised;
- The price of the Workforce share at grant date;
- The expected volatility of the share price;
- The dividends expected on the shares; and
- The risk-free interest rate for the term until the option is exercised.

Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercised restrictions (including the probability of meeting market conditions attached to the option) and behavioural considerations. Expected volatility is based on the historical share price volatility over the past three years.

## 26. Equity-settled employee benefits (continued)

### 26.2 Movement in share options during the year (continued)

#### Inputs into model:

Grant date share price	50
Exercise price	50
Expected volatility	50,88
Share appreciation life	36 months
Dividend yield	–
Risk-free interest rate	7,67%
Charge to profit and loss (note 16)	

	2017	2016
2017 option	507 337	–
2016 option	4 471 331	843 959
2015 option	247 929	456 004
2013 option	–	235 559
2012 option	–	–
	<b>5 226 597</b>	<b>1 535 522</b>

### 26.3 Movement in share options during the year

The share options outstanding at the end of the year had a weighted average exercise price of R1,33 (2016: R1,10), and a weighted average remaining contractual life of 757 days (2016: 435 days).

### 26.4 Cash-settled share-base payments

#### Details of cash-settled share-based payment award granted to a Director

A cash award, equivalent to the value of 4 million ordinary shares in the company as at 14 August 2019, has been granted to Philip Froom (Chief Executive Officer).

The payment of the award is subject to a 36-month service period.

The amount of the cash payment is determined as the greater of the share price of the company at the date of vesting or R1,50 per share.

Grant date	Vest date	Fair value at grant date
15 August 2016	14 August 2019	6 000 000

During the year R1 666 667 (2016: R1 000 000) has been recognised in profit or loss.

Fair value at year-end amounted to R2 666,667 (2016: R1 000 000).

## 27. 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 149 727 (2016: R9 555 918). The Directors believe, based on past history, that the likelihood of such claims being successful are minimal.

## Notes to the group financial statements (continued)

for the year ended 31 December 2017

	Date of acquisition	Portion of business acquired %	Maximum contingent consideration R'000
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### 28. Business combinations

#### 28.1.1 Business acquired KBC Holdings

2017

**KBC Holdings Proprietary Limited**

1 January 2017

100

48 453

##### Principal activity

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

KBC was acquired as it complements the group's existing technical training offerings and its temporary employment services 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 industry and other industries that require contractors to be compliant with relevant health and safety legislation.

	R'000
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#### 28.1.2 Consideration transferred

Cash

24 000

Contingent consideration arrangement

24 453

Total

48 453

#### 28.1.3 Contingent consideration

Second payment

7 516

Third payment

7 516

Fourth payment

9 421

**Total additional amount**

24 453

Less: Interest raised on future payments

(3 128)

21 325

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 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 R9,421 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 three years ended 31 December 2017, 2018 and 2019.

The Directors believe that this payment is probable.

	R'000
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## 28. Business combinations (continued)

### 28.1.4 Assets acquired and liabilities recognised at the date of acquisition

<b>Non-current assets</b>	<b>17 686</b>
Property, plant and equipment	2 750
Investment in associate	163
Intangible assets	14 773
<b>Current assets</b>	<b>12 803</b>
Trade and other receivables	4 408
Cash and cash equivalents	7 940
Taxation	178
Inventory	277
<b>Current liabilities</b>	<b>(6 741)</b>
Trade and other payables	(6 537)
Taxation payable	(204)
<b>Non-current liabilities</b>	
Deferred tax liability	(4 135)
<b>Total</b>	<b>19 613</b>

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

### 28.1.5 Net cash outflow on acquisition of subsidiaries

Consideration paid in cash	24 000
Less: Cash and cash equivalent balances acquired	(7 940)
<b>Total</b>	<b>16 060</b>

### 28.1.6 Goodwill arising on acquisition

Consideration transferred	41 944
Less: Fair value of identifiable net assets acquired	(19 613)
<b>Goodwill arising on acquisition</b>	<b>22 331</b>

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.



## Notes to the group financial statements (continued)

for the year ended 31 December 2017

	Date of acquisition	Portion of business acquired %	Maximum contingent consideration R'000
<b>28. Business combinations (continued)</b>			
<b>28.2.1 Oxyon Human Capital Solutions and Day-Click Limited 2017</b>			
Oxyon provides temporary employment services and permanent placement recruitment services.	<b>1 February 2017</b>	<b>100</b>	<b>9 000</b>
<b>Day-Click Limited</b>			
<i>Principal activity</i> Day-Click provides temporary employment services and permanent placement recruitment services in Mauritius.	<b>1 March 2017</b>	<b>76</b>	<b>484</b>

Oxyon was acquired in order to expand group'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
<b>28.2.2 Consideration transferred</b>			
Cash	6 000	314	<b>6 314</b>
Consideration liability	–	170	<b>170</b>
Contingent consideration arrangement	3 000	–	<b>3 000</b>
<b>Total</b>	<b>9 000</b>	<b>484</b>	<b>9 484</b>
<b>28.2.3 Contingent consideration</b>			
Fourth payment	3000	170	<b>3 170</b>
Add: Interest raised on future payments	15	–	<b>15</b>
<b>Total additional amount</b>	<b>3 015</b>	<b>170</b>	<b>3 185</b>

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 performance 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. The Directors believe that this payment is probable.

	Oxyon Human Capital Solutions R'000	Day-Click Limited R'000	<b>Total R'000</b>
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## 28. Business combinations (continued)

### 28.2.4 Assets acquired and liabilities recognised at the date of acquisition

<b>Non-current assets</b>	23	37	<b>60</b>
Property, plant and equipment	23	37	60
<b>Current assets</b>	–	258	<b>258</b>
Trade and other receivables	–	39	39
Cash and cash equivalents		219	219
<b>Total assets</b>	23	295	<b>318</b>
<b>Current liabilities</b>	–	(628)	<b>(628)</b>
Trade and other payables	–	(32)	(32)
Loan	–	(596)	(596)
<b>Total</b>	23	(333)	<b>(310)</b>

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

#### Net cash outflow on acquisition of subsidiaries

Consideration paid in cash	5 804	314	<b>6 118</b>
Less: Cash and cash equivalents balance acquired	–	(219)	<b>(219)</b>
<b>Total</b>	5 804	95	<b>5 899</b>

### 28.2.5 Non-controlling interests

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 amounting to (R68 142).

## Notes to the group financial statements (continued)

for the year ended 31 December 2017

	Oxyon Human Capital Solutions R'000	Day-Click Limited R'000	Total R'000
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### 28. Business combinations (continued)

#### 28.2.6 Goodwill arising on acquisition

Consideration transferred	9 000	484	<b>9 484</b>
<i>Plus:</i> Non-controlling interest	–	(68)	<b>(68)</b>
<i>Less:</i> Fair value of identifiable net assets acquired	23	(333)	<b>(310)</b>
Goodwill arising on acquisition	8 977	885	<b>9 862</b>

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 identifiable intangible assets. None of the goodwill in these acquisitions is expected to be deductible for tax purposes.

Revenue from the above acquisition amounted to R53 244 941 and profit before tax of R278 715 for the period under review.

Had these business combinations been effective at 1 January 2017, the revenue of the group from operations would have been R 58 085 390 and the profit for the year from operations would have been R304 053. The Directors consider these pro forma numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for the comparison in future periods.

### 29. Events after reporting dates

There have been no events after year end and up to the date of these financial statements which require disclosure.

# Shareholder information

# 5

## Corporate information

### Company Secretary

Sirkien van Schalkwyk

### Registered office

11 Wellington Road  
Parktown  
2193

PO Box 11137  
Johannesburg  
2000

### Business address

11 Wellington Road  
Parktown  
2193

PO Box 11137  
Johannesburg  
2000

### Designated advisor

Merchantec Proprietary Limited  
trading as Merchantec Capital

### Transfer secretaries

Link Market Services South Africa  
Proprietary Limited

### Commercial bankers

ABSA Business Bank

### Company registration number

2006/018145/06

### Website address

[www.workforce.co.za](http://www.workforce.co.za)

## Shareholders' diary

Financial year-end	31 December 2018
Abridged results released on SENS	15 March 2018
Integrated report posted to shareholders	30 March 2018
Annual general meeting	7 May 2018
Half-year interim report	Mid-August 2018

## Analysis of shareholders

as at 31 December 2017

	Number of holders	% of total shareholders	Number of shares	% of total issued share capital
<b>Analysis of shareholdings</b>				
1 – 1 000	147	44,95	53 478	0,02
1 001 – 10 000	83	25,38	395 692	0,16
10 001 – 100 000	61	18,65	2 606 420	1,07
100 001 – 1000 000	27	8,26	8 753 029	3,59
1 000 001 and more	9	2,75	231 922 724	95,16
<b>Totals</b>	<b>327</b>	<b>100,00</b>	<b>243 731 343</b>	<b>100,00</b>
<b>Major shareholders</b>				
<b>(5% and more of the shares in issue)</b>				
Force Holdings Proprietary Limited			98 870 000	40,57
Little Kittens Proprietary Limited			65 860 000	27,02
Vebicept Proprietary Limited			42 900 000	17,60
Pha Phama Africa Investments Proprietary Limited			14 370 000	5,90
<b>Shareholder spread</b>				
<b>Non-public:</b>	6	1,83	223 482 641	91,69
Directors	3	0,92	67 317 156	27,62
10% or more of issued capital	2	0,61	141 770 000	58,17
Treasury shares	1	0,31	14 395 485	5,91
Public	321	98,17	20 248 702	8,31
<b>Totals</b>	<b>327</b>	<b>100</b>	<b>243 731 343</b>	<b>100,00</b>
<b>Distribution of shareholders</b>				
Individuals	289	88,38	9 438 306	3,87
Pension funds	5	1,53	1 627 243	0,67
Other managed funds	11	3,36	149 173	0,06
Other companies and corporate bodies	22	6,73	232 516 621	95,40
<b>Totals</b>	<b>327</b>	<b>100</b>	<b>243 731 343</b>	<b>100</b>

## Analysis of share trading

Closing price	131,00
High	250,00
Low	125,00
Volume weighted average ("VWAP")	1,75
Market capitalisation	R319 288 059,33
Volume of shares traded during the year	11 208 092,00
Closing price/NAV per share	0,60
PE ratio based on HEPS	3,35

# Notice of annual general meeting

## 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")

Notice is hereby given that the annual general meeting of the company's shareholders will be held at 11 Wellington Road, Parktown on Monday, 7 May 2018 at 10:00 ("annual general meeting").

## Purpose

The purpose of the meeting is to transact the business set out in this notice of annual general meeting ("annual general meeting notice") by considering and, if deemed fit, passing, with or without modification, the ordinary and special resolutions hereunder.

## Record date, attendance and voting

	2018
Record date in order to be eligible to receive the annual general meeting notice	Friday, 23 March
Annual general meeting notice posted to shareholders	Thursday, 29 March
Last date to trade in order to be eligible to vote at the annual general meeting	Monday, 23 April
Record date in order to be eligible to vote at the annual general meeting	Thursday, 26 April
Last day to lodge forms of proxy for the annual general meeting (by 10:00) for administration purposes	Thursday, 3 May
Annual general meeting (at 10:00)	Monday, 7 May
Results of the annual general meeting released on SENS	Monday, 7 May

- Shareholders entitled to attend and vote at the annual general meeting may appoint one or more proxies to attend, speak and vote thereat in their stead. A proxy need not be a member of the company. A form of proxy, in which is set out the relevant instructions for its completion, is enclosed for the use of a certificated shareholder or own-name registered dematerialised shareholder who wishes to be represented at the annual general meeting. Completion of a form of proxy will not preclude such shareholder from attending and voting (in preference to that shareholder's proxy) at the annual general meeting.
- The instrument appointing a proxy and the authority (if any) under which it is signed must reach the company's transfer secretaries at the address given below by not later than 10:00 on Thursday, 3 May 2018.
- Dematerialised shareholders, other than own-name registered dematerialised shareholders, who wish to attend the annual general meeting in person will need to request their Central Securities Depository Participant ("CSDP") or broker to provide them with the necessary letter of representation in terms of the custody agreement entered into between such shareholders and the CSDP or broker.
- Dematerialised shareholders, other than own-name registered dematerialised shareholders, who are unable to attend the annual general meeting and who wish to be represented thereat, must provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between them and the CSDP or broker in the manner and time stipulated therein.
- Shareholders present in person, by proxy or by authorised representative shall, on a show of hands, have one vote each and, on a poll, will have one vote in respect of each share held.
- In terms of the Companies Act 2008 (Act 71 of 2008), as amended ("the Companies Act"), any shareholder or proxy who intends to attend or participate at the annual general meeting must be able to present reasonably satisfactory identification at the meeting for such shareholder or proxy to attend and participate at the annual general meeting. A green bar-coded identification document or identity card issued by the South African Department of Home Affairs, a driver's licence or a valid passport will be accepted at the annual general meeting as sufficient forms of identification.

## Agenda

1. Presentation and consideration of the annual financial statements of the company, including the reports of the auditors and Directors and the audit and risk committee for the year ended 31 December 2017 as set out in the company's integrated annual report 2017 of which this annual general meeting notice forms part of; and

## Notice of annual general meeting (continued)

2. To consider and, if deemed fit, approve, with or without modification, the following special and ordinary resolutions:

*Note:*

*For any of the ordinary resolutions numbers 1 to 12, excluding ordinary resolution number 11, to be adopted, more than 50% of the voting rights exercised on each such ordinary resolution must be exercised in favour thereof.*

*For any of the special resolutions numbers 1 to 3 to be adopted, more than 75% of the voting rights exercised on each such special resolution must be exercised in favour thereof.*

*For ordinary resolution number 11 to be adopted, more than 75% of the voting rights exercised on each such ordinary resolution must be exercised in favour thereof.*

### 1. Ordinary business

#### 1. Ordinary resolution number 1: Confirmation of the appointment of Shaun Naidoo

"Resolved that Shaun Naidoo, who was appointed as a Non-Executive Director of the company effective 26 June 2017, be and is hereby elected as Director."

An abbreviated *curriculum vitae* in respect of Shaun Naidoo may be viewed on page 47 of the integrated annual report of which this notice forms part.

#### 2. Ordinary resolution number 2: Confirmation of the appointment of Mark Anderson

"Resolved that Mark Anderson, who was appointed as an Alternative Non-Executive Director to Shaun Naidoo, effective 26 June 2017, be and is hereby elected as an Alternate Non-Executive Director of the company."

An abbreviated *curriculum vitae* in respect of Mark Anderson may be viewed on page 47 of the integrated annual report of which this notice forms part.

#### **Reason for ordinary resolution numbers 1 and 2**

The reason for ordinary resolution numbers 1 and 2 is that article 7.1.9 of the memorandum of incorporation of the company and, to the extent applicable, the Companies Act, requires that director appointments must be approved by shareholders at the next annual general meeting.

#### 3. Ordinary resolution number 3: Re-election of Shelley Thomas

"Resolved that Shelley Thomas, who retires by rotation in terms of the memorandum of incorporation of the company and, being eligible and offering herself for re-election, be and is hereby re-elected as Director."

An abbreviated *curriculum vitae* in respect of Shelley Thomas may be viewed on page 47 of the integrated annual report of which this notice forms part.

The remuneration and nomination committee has considered Shelley Thomas' past performance and contribution to the company and, in accordance with article 7.2.1 of the memorandum of incorporation of the company, recommends that Shelley Thomas is re-elected as a Director of the company.

#### 4. Ordinary resolution number 4: Re-election of Kyansambo Vundla

"Resolved that Kyansambo Vundla, who retires by rotation in terms of the memorandum of incorporation of the company and, being eligible and offering herself for re-election, be and is hereby re-elected as Director."

An abbreviated *curriculum vitae* in respect of Kyansambo Vundla may be viewed on page 47 of the integrated annual report of which this notice forms part.

The remuneration and nomination committee has considered Kyansambo Vundla's past performance and contribution to the company and, in accordance with article 7.2.1 of the memorandum of incorporation of the company, recommends that Kyansambo Vundla is re-elected as a Director of the company.

#### **Reason for ordinary resolution numbers 3 and 4**

The reason for ordinary resolution numbers 3 and 4 is that article 7.2.1 of the memorandum of incorporation of the company and, to the extent applicable, the Companies Act, requires that a component of the Non-Executive Directors rotate at the annual general meeting and, being eligible, may offer themselves for re-election as directors.

#### 5. Ordinary resolution number 5: Confirmation of the re-appointment of the auditors

"Resolved that the re-appointment of Horwath Leveton Boner as independent auditors of the company for the ensuing year (the designated auditor being Gary Kartsounis) on the recommendation of the company's audit and risk committee be hereby ratified."

**Reason for ordinary resolution number 5**

The reason for ordinary resolution number 5 is that the company, being a public listed company, must have its financial results audited and such auditor must be appointed or re-appointed each year at the annual general meeting of the company as required by the Companies Act.

**6. Ordinary resolution number 6: Appointment of John Macey as member and chairman of the audit and risk committee**

“Resolved that John Macey be elected a member and chairman of the audit and risk committee, with effect from the conclusion of this annual general meeting in terms of section 94(2) of the Companies Act.”

An abbreviated *curriculum vitae* in respect of John Macey may be viewed on page 47 of the integrated annual report of which this notice forms part.

**7. Ordinary resolution number 7: Appointment of Kyansambo Vundla as a member of the audit and risk committee**

“Resolved that Kyansambo Vundla be elected a member of the audit and risk committee, with effect from the conclusion of this annual general meeting in terms of section 94(2) of the Companies Act.”

An abbreviated *curriculum vitae* in respect of Kyansambo Vundla may be viewed on page 47 of the integrated annual report of which this notice forms part.

**8. Ordinary resolution number 8: Appointment of Shelley Thomas as a member of the audit and risk committee**

“Resolved that Shelley Thomas be elected a member of the audit and risk committee, with effect from the conclusion of this annual general meeting in terms of section 94(2) of the Companies Act.”

An abbreviated *curriculum vitae* in respect of Shelley Thomas may be viewed on page 47 of the integrated annual report of which this notice forms part.

**Reason for ordinary resolution numbers 6 to 8**

The reason for ordinary resolution numbers 6 to 8 (inclusive) is that the company, being a public listed company, must appoint an audit committee as prescribed by sections 66(2) and 94(2) of the Companies Act, which also requires that the members of such audit committee be appointed, or re-appointed, as the case may be, at each annual general meeting of a company.

**9. Ordinary resolution number 9: Endorsement of remuneration policy and implementation report****Ordinary resolution 9.1**

“Resolved that, the company’s remuneration policy, as set out in the remuneration report on pages 66 and 67 of the integrated annual report of which this notice forms part, be and is hereby approved by way of a non-binding advisory vote of shareholders of the company in terms of the King IV Report on Corporate Governance.”

**Ordinary resolution 9.2**

“Resolved that, the implementation report, as set out on pages 69 and 70 of the integrated annual report of which this notice forms part, be and is hereby endorsed as a non-binding advisory vote of shareholders of the company in terms of the King IV Report on Corporate Governance.”

**Reason for ordinary resolution numbers 9.1 and 9.2**

The reason for ordinary resolution numbers 9.1 and 9.2 is that King IV recommends that the remuneration policy of the company be endorsed through separate non-binding advisory votes by shareholders at the annual general meeting of a company. Failure to pass these resolutions will not have legal consequences relating to existing arrangements. However, the Board of Directors of the company (“the board”) will take the outcome of the vote into consideration when assessing the company’s remuneration policy and implementation report.

**10. Ordinary resolution number 10: Placing unissued shares under Directors’ control**

“Resolved that the unissued shares in the company, limited to 15% of the number of shares in issue at 30 March 2018, be and are hereby placed under the control of the Directors until the next annual general meeting and that they be and are hereby authorised to issue any such shares as they may deem fit, subject to the Companies Act, the memorandum of incorporation of the company, and the provisions of the Listings Requirements of the JSE Limited (“JSE”), save that the aforementioned 15% limitation shall not apply to any shares issued in terms of a rights offer.”



## Notice of annual general meeting (continued)

### Reason for ordinary resolution number 10

The reason for ordinary resolution number 10 is that the board requires authority from shareholders in terms of article 4.1.9 of its memorandum of incorporation to issue shares in the company. This general authority, once granted, allows the board from time to time, when it is appropriate to do so, to issue ordinary shares as may be required *inter alia* in terms of capital raising exercises, and to maintain a healthy capital adequacy ratio that may be required from time to time. This general authority is subject to the restriction that it is limited to 15% of the number of shares in issue at 30 March 2018 on the terms more fully set out in ordinary resolution number 10 and subject to the further restrictions set out in ordinary resolution number 12 of this notice.

### 11. Ordinary resolution number 11: General authority to issue shares for cash

“Resolved that the Directors of the company be and are hereby authorised by way of a general authority, to allot and issue any of its unissued shares for cash placed under their control as they in their discretion may deem fit, without restriction, subject to the provisions of the Listings Requirements of the JSE, and subject to the provision that the aggregate number of ordinary shares, able to be allotted and issued in terms of this resolution, shall be limited to 15% of the issued share capital at 30 March 2018 (net of treasury shares being 36 559 701 ordinary shares), provided that:

- The approval shall be valid until the date of the next annual general meeting of the company, provided it shall not extend beyond fifteen months from the date of this resolution;
- an announcement giving full details, including the impact on net asset value and earnings per share, will be published after any issue representing, on a cumulative basis within any one financial year, 5% or more of the number of shares in issue prior to such issue;
- the general issues of shares for cash in aggregate in any one financial year may not exceed 15% of the company's issued share capital (number of securities) of that class. For purposes of determining whether the aforementioned 15% has been or will be reached, the securities of a particular class will be aggregated with the securities that are compulsorily convertible into securities of that class and, in the case of the issue of compulsorily convertible securities, aggregated with the securities of that class into which they are compulsorily convertible. The number of securities of a class which may be issued shall be based on the number of securities of that class in issue at the date of such application less any securities of the class issued during the current financial year, provided that any securities of that class to be issued pursuant to a rights issue (announced and irrevocable and underwritten) or acquisition (concluded up to the date of application) may be included as though they were securities in issue at the date of application;
- in determining the price at which an issue of shares will be made in terms of this authority, the maximum discount permitted will be 10% of the weighted average traded price of such shares, as determined over the 30 trading days prior to the date that the price of the issue is agreed between the company and the party subscribing for the securities. The JSE should be consulted for a ruling if the securities have not traded in such 30-business day period;
- any such issue will only be made to public shareholders as defined in paragraphs 4.25 to 4.27 of the Listings Requirements of the JSE and not to related parties; and
- any such issue will only be securities of a class already in issue or, if this is not the case, will be limited to such securities or rights that are convertible into a class already in issue.”

### The reason for ordinary resolution number 11

For listed entities wishing to issue shares, it is necessary for the board not only to obtain the prior authority of the shareholders as may be required in terms of their memorandum of incorporation contemplated in ordinary resolution number 9 above but it is also necessary to obtain the prior authority of shareholders in accordance with the Listings Requirements of the JSE. The reason for this resolution is accordingly to obtain a general authority from shareholders to issue shares in compliance with the Listings Requirements of the JSE. The authority granted in terms of resolution number 11 must accordingly be read together with authority granted in terms of ordinary resolution number 10 above and any exercise thereof will be subject to the conditions contained in ordinary resolution number 11.

#### Note:

*In terms of the Listings Requirements of the JSE, this resolution requires the approval of not less than 75% of the votes cast by shareholders present or represented by proxy and entitled to vote at this annual general meeting.*

## 12. Ordinary resolution number 12: Authority to action

“Resolved that any one Director of the company and/or the Company Secretary is hereby authorised to do all such things and sign all such documents as deemed necessary to implement the ordinary and special resolutions as set out in this notice convening the annual general meeting at which these resolutions will be considered.”

### The reason for ordinary resolution number 12

The reason for ordinary resolution number 12 is to ensure that the resolutions voted favourably upon are duly implemented through the delegation of powers provided for in terms of article 29 of the company’s memorandum of incorporation.

## Special business

### 13. Special resolution number 1: Remuneration of Non-Executive Directors

“Resolved that the remuneration payable to the Non-Executive Directors be approved on the following basis with effect from this annual general meeting until the next annual general meeting held in 2019:

Category	Recommended remuneration
Chairman of the board	<b>R12 730 annual retainer</b>
Board member	<b>R11 320 per meeting attended</b>
Ad-hoc hourly fee	<b>R2 000</b>
<b>Audit and risk committee</b>	
Chairman	<b>R13 494 per meeting attended</b>
Member	<b>R12 000 per meeting attended</b>
<b>Remuneration committee</b>	
Chairman	<b>R12 000 per meeting attended</b>
Member	<b>R12 000 per meeting attended</b>
<b>Social and ethics committee</b>	
Chairman	<b>R12 000 per meeting attended</b>
Member	<b>R12 000 annual retainer</b>

### Reasons for and effect of special resolution number 1

The reason for the proposed special resolution, is to comply with section 66(9) of the Companies Act, which requires the approval of Directors’ fees prior to the payment of such fees.

The effect of special resolution number 1 is that the company will be able to pay its Non-Executive Directors for the services they render to the company as Directors without requiring further shareholder approval until the next annual general meeting.

### 14. Special resolution number 2: Financial assistance to related and inter-related companies

“Resolved that the board be and is hereby authorised in terms of section 45(3)(a)(ii) of the Companies Act, as a general approval (which approval will be in place for a period of two years from the date of adoption of this special resolution number 2), to authorise the group to provide any direct or indirect financial assistance (“financial assistance” will herein have the meaning attributed to such term in section 45(1) of the Companies Act) that the board may deem fit to any related or inter-related company of the group (“related” and “inter-related” will herein have the meanings attributed to those terms in section 2 of the Companies Act), on the terms and conditions and for the amounts that the board may determine.”

### Reason for and effect of special resolution number 2

The reason for and the effect of special resolution number 2 is to provide a general authority to the board for the group to grant direct or indirect financial assistance to any company forming part of the group, including in the form of loans or the guaranteeing of their debts.

### 15. Special resolution number 3: General authority to repurchase shares by the company

“Resolved that as a special resolution that the company and its subsidiaries be and is hereby authorised, as a general approval, to repurchase any of the shares issued by the company, upon such terms and conditions and in such

## Notice of annual general meeting (continued)

amounts as the Directors may from time to time determine, but subject to the provisions of section 46 and 48 of the Companies Act, the memorandum of incorporation of the company, the Listings Requirements of the JSE and the requirements of any other stock exchange on which the shares of the company may be quoted or listed, namely that:

- The general repurchase of the shares may only be implemented on the open market of the JSE and done without any prior understanding or arrangement between the company and the counterparty;
- this general authority shall only be valid until the next annual general meeting of the company, provided that it shall not extend beyond fifteen months from the date of this resolution;
- an announcement must be published as soon as the company has acquired shares constituting, on a cumulative basis, 3% of the number of shares in issue prior to the acquisition, pursuant to which the aforesaid 3% threshold is reached, containing full details thereof, as well as for each 3% in aggregate of the initial number of shares acquired thereafter;
- the general authority to repurchase is limited to a maximum of 20% in the aggregate in any one financial year of the company's issued share capital at the time the authority is granted;
- a resolution has been passed by the board approving the purchase, that the company has satisfied the solvency and liquidity test as defined in the Companies Act and that since the solvency and liquidity test was applied there have been no material changes to the financial position or required shareholder spread of the group;
- the general repurchase is authorised by the company's memorandum of incorporation;
- repurchases must not be made at a price more than 10% above the weighted average of the market value of the shares for five business days immediately preceding the date that the transaction is effected. The JSE should be consulted for a ruling if the applicant's securities have not traded in such five business day period;
- the company may at any point in time only appoint one agent to effect any repurchase(s) on the company's behalf;
- the company and its subsidiaries may not effect a repurchase during any prohibited period as defined in terms of the Listings Requirements of the JSE unless there is a repurchase programme in place as contemplated in terms of 5.72(g) of the Listings Requirements of the JSE; and
- the company must ensure that its Designated advisor provides the JSE with the required working capital letters before it commences the repurchase of any shares."

### Reason and effect of special resolution number 3

The reason for and effect of special resolution number 3 is to grant the Directors a general authority in terms of its memorandum of incorporation and the Listings Requirements of the JSE for the acquisition by the company and/or its subsidiaries of shares issued by it on the basis reflected in the special resolution.

In terms of the Listings Requirements of the JSE any general repurchase by the company and/or its subsidiaries must, *inter alia*, be limited to a maximum of 20% of the company's issued share capital in any one financial year of that class at the time the authority is granted.

### Other business

To transact such other business as may be transacted at an annual general meeting or raised by shareholders with or without advance notice to the company.

### Information relating to the special resolutions

1. The Directors of the company or its subsidiaries will only utilise the general authority to purchase shares of the company and/or the subsidiary as set out in special resolutions numbers 2 and 3 to the extent that the Directors, after considering the maximum shares to be purchased, are of the opinion that the group's position would not be compromised as to the following:
  - The group's ability in the ordinary course of business to pay its debts for a period of 12 months after the date of this annual general meeting and for a period of 12 months after the purchase;
  - the consolidated assets of the group will at the time of the annual general meeting and at the time of making such determination be in excess of the consolidated liabilities of the group. The assets and liabilities should be recognised and measured in accordance with the accounting policies used in the latest audited annual financial statements of the group;
  - the ordinary capital and reserves of the group after the purchase will remain adequate for the purpose of the business of the group for a period of 12 months after the annual general meeting and after the date of the share purchase;

- the working capital available to the group after the purchase will be sufficient for the group's requirements for a period of 12 months after the date of the notice of the annual general meeting; and
- the Directors have passed a resolution authorising the repurchase, resolving that the company has satisfied the solvency and liquidity test as defined in the Companies Act and resolving that since the solvency and liquidity test had been applied, there have been no material changes to the financial position of the group.

## 2. Other disclosures in terms of section 11.26 of the Listings Requirements of the JSE

For the purposes of considering special resolution number 3, and in compliance with paragraph 11.26 of the Listings Requirements, the information listed below has been included in the integrated annual report, in which this notice of annual general meeting is included, at the places indicated:

- Major shareholders (page 142); and
- Share capital of the company (page 116).

## 3. For purposes of special resolution number 2, the board will only utilise the general authority bestowed upon them to provide direct or indirect financial assistance related to inter-related companies to the extent that the Directors, after considering the amount of financial assistance to be granted, are of the opinion that:

- Immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test (as defined in the Companies Act, 2008, as amended);
- the terms under which the financial assistance is proposed to be given are fair and reasonable to the company; and
- all conditions or restrictions regarding the granting of financial assistance as set out in the company's memorandum of incorporation have been satisfied and that the board has passed a resolution authorising the grant of the said financial assistance ("the board resolution") under their general authority so granted, the company which will then provide written notice of the board resolution to all shareholders:
  - within 10 days after adoption of the board resolution, if the total value of all loans, debts, obligations or assistance contemplated in that resolution, together with any previous such resolution(s) during the financial year, exceeds one-tenth of 1% of the company's net worth at the time of the board resolution; or
  - within 30 business days after the end of the financial year, in any other case.

## 4. Litigation statement

The company is not involved in any legal or arbitration proceedings, nor are any proceedings pending or threatened of which the company is aware that may have or has had in the previous 12 months, a material effect on the company's financial position.

## 5. Responsibility statement

The Directors, whose names are reflected in this integrated annual report of which this notice forms part, collectively and individually accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts that have been made and that the notice contains all information required by the Listings Requirements of the JSE.

## 6. Material changes

Other than the facts and developments reported on in the integrated annual report, there have been no material changes in the financial or trading position of the company and its subsidiaries since the date of signature of the audit report up to the date of this notice.

By order of the board



**Sirkien van Schalkwyk**  
Company Secretary

14 March 2018

## Notes

[illegible]

## Form of proxy

### 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")

FORM OF PROXY – for use by certificated and "own-name" dematerialised shareholders only at the annual general meeting of shareholders to be held at 11 Wellington Road, Parktown on Monday, 7 May 2018 at 10:00 ("the annual general meeting") and any adjournment thereof.

Dematerialised ordinary shareholders holding ordinary shares other than with "own-name" registration who wish to attend the annual general meeting must inform their Central Securities Depository Participant ("CSDP") or broker of their intention to attend the annual general meeting and request their CSDP or broker to issue them with the relevant letter of representation to attend the annual general meeting in person or by proxy and vote. If they do not wish to attend the annual general meeting in person or by proxy, they must provide their CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker. These ordinary shareholders must not use this form of proxy.

I/We (please print name in full)

of (address)

being a shareholder/s of Workforce Holdings Limited, holding shares in the company hereby appoint:

1. \_\_\_\_\_ or, failing him/her,
2. \_\_\_\_\_ or, failing him/her,
3. \_\_\_\_\_ or failing him/her,
4. the Chairman of the annual general meeting, as my proxy to vote for me/us and on my/our behalf at the annual general meeting and at any adjournment thereof and to speak and act for me/us and, on a poll, vote on my/our behalf.

My/our proxy shall vote as follows:

	Number of shares		
	In favour of	Against	Abstain
To consider the presentation of the annual financial statements for the year ended 31 December 2017			
<b>Ordinary resolution number 1:</b> Confirmation of Shaun Naidoo's appointment			
<b>Ordinary resolution number 2:</b> Confirmation of Mark Anderson's appointment			
<b>Ordinary resolution number 3:</b> To re-elect Shelley Thomas as Director			
<b>Ordinary resolution number 4:</b> To re-elect Kyansambo Vundla as Director			
<b>Ordinary resolution number 5:</b> Confirmation of auditor's re-appointment			
<b>Ordinary resolution number 6:</b> Appointment of John Macey as chairman to audit and risk committee			
<b>Ordinary resolution number 7:</b> Appointment of Kyansambo Vundla to audit and risk committee			
<b>Ordinary resolution number 8:</b> Appointment of Shelley Thomas to audit and risk committee			
<b>Ordinary resolution number 9:</b>			
9.1 Endorsement of remuneration policy			
9.2 Endorsement of the implementation report			
<b>Ordinary resolution number 10:</b> Placing of unissued shares under the Directors' control			
<b>Ordinary resolution number 11:</b> General authority to issue shares for cash			
<b>Ordinary resolution number 12:</b> Authority to action			
<b>Special resolution number 1:</b> Remuneration of Non-Executive Directors			
<b>Special resolution number 2:</b> Financial assistance to related and inter-related companies			
<b>Special resolution number 3:</b> General authority to the company to repurchase shares			

(indicate instruction to proxy by way of a cross in the space provided above)

Unless otherwise instructed, my/our proxy may vote as he/she thinks fit.

Signed this

day of

2018

Signature

## Notes to the form of proxy

1. This form of proxy should only be used by certificated shareholders or shareholders who have dematerialised their shares with own-name registration.
2. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space/s provided, with or without deleting "the Chairman of the meeting", but any such deletion must be initialled by the shareholder. The person whose name stands first on the form of proxy and who is present at the meeting will be entitled to act as proxy to those whose names follow. Should this space be left blank, the proxy will be exercised by the Chairman of the meeting.
3. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate space provided. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the meeting as he/she deemed fit in respect of all of the shareholder's votes exercisable thereat. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or his/her proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by his/her proxy.
4. Dematerialised shareholders who wish to attend the meeting or to vote by way of proxy, must contact their CSDP or broker who will furnish them with the necessary authority to attend the meeting or to be represented thereat by proxy. This must be done in terms of the agreement between the member and his/her CSDP or broker.
5. Forms of proxy must be lodged at the company's Transfer Secretaries, Link Market Services South Africa Proprietary Limited, 13th Floor, Rennie House, 19 Ameshoff Street, Johannesburg, 2001 so as to be received by not later than 10:00 on Thursday, 3 May 2018.
6. The completion and lodging of this form of proxy shall not preclude the relevant shareholder from attending the meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.
7. Documentary evidence establishing the authority of the person signing this form of proxy in a representative or other legal capacity must be attached to this form of proxy unless previously recorded by the Transfer Secretaries of the company or waived by the Chairman of the meeting.
8. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.
9. The Chairman shall be entitled to reject the authority of a person signing the form of proxy:
  - under a power of attorney; or
  - on behalf of a company; and
 unless that person's power of attorney or authority is deposited at the registered office of the Transfer Secretaries not less than 24 hours before the meeting.
10. Where shares are held jointly, all joint holders are required to sign the form of proxy.
11. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Transfer Secretaries.
12. On a show of hands, every shareholder present in person or represented by proxy shall have only one vote, irrespective of the number of shares he/she holds or represents.
13. On a poll, every shareholder present in person or represented by proxy shall have one vote for every share held by such shareholder.
14. A resolution put to the vote shall be decided by a show of hands, unless, before or on the declaration of the results of the show of hands, a poll shall be demanded by any person entitled to vote at the annual general meeting.
15. A deletion of any printed matter and the completion of any blank space need not be signed or initialled. Any alternation or correction must be signed and not merely initialled.

## Definitions and abbreviations

<b>Allmed</b>	Allmed Healthcare Professionals Proprietary Limited
<b>AGM</b>	Annual General Meeting
<b>B-BBEE</b>	Broad-based Black Economic Empowerment
<b>Board</b>	Board of directors of Workforce Holdings Limited
<b>CAPEs</b>	Confederation of Associations in the Private Employment Sector
<b>Companies Act or the Act</b>	The South African Companies Act 2008 (Act 71 of 2008), as amended
<b>CSI</b>	Corporate Social Investment
<b>Day-Click</b>	Day-Click Limited
<b>Debtworx</b>	Debtworx Proprietary Limited
<b>DSO</b>	Days sales outstanding
<b>EAP</b>	Economically active population
<b>EBITDA</b>	Earnings before interest, taxation, depreciation and amortisation
<b>EEA</b>	Employment Equity Amendment Act 47 of 2013
<b>EME</b>	Exempted micro enterprise
<b>EPS</b>	Earnings per share
<b>ETI</b>	Employment tax incentive
<b>Gcubed</b>	Gcubed Boutique Recruitment
<b>Group</b>	Workforce Holdings Limited and its subsidiaries
<b>HEPS</b>	Headline earnings per share
<b>IFRS</b>	International Financial Reporting Standards
<b>ILO</b>	International Labour Organisation
<b>IIRC</b>	International Integrated Reporting Committee
<b>&lt;IR&gt;</b>	International integrated reporting framework
<b>IPP</b>	Independent power producers
<b>IT</b>	Information technology
<b>JSE</b>	JSE Limited (Registration number 2005/022939/06) a company duly registered and incorporated with limited liability, licensed as an exchange in terms of the Securities Services Act No 36 of 2004
<b>LRA</b>	Labour Relations Amendment Act 6 of 2014
<b>KBC</b>	KBC Holdings Proprietary Limited
<b>King III</b>	King III Report on Corporate Governance for South Africa, 2009
<b>King IV</b>	King IV Report on Corporate Governance for South Africa, 2016
<b>KPI's</b>	Key performance indicators
<b>MOI</b>	Memorandum of Incorporation
<b>MQA</b>	Mining Qualifications Authority
<b>NAV</b>	Net asset value
<b>NQF</b>	National qualifications framework
<b>OECD</b>	Organisation for Economic Cooperation and Development
<b>Oxyon</b>	Oxyon Human Capital Solutions Proprietary Limited
<b>POPI</b>	Protection of Personal Information Act (Act 4 of 2013)
<b>PPO</b>	Programmed Outsourcing Proprietary Limited
<b>Prisma</b>	Prisma Training Solutions Proprietary Limited
<b>Qunu</b>	Qunu Workforce Proprietary Limited
<b>QSE</b>	Qualifying small enterprise
<b>ROI</b>	Return on investment
<b>S12H</b>	Additional deduction for learnership agreements in terms of Section 12 H of the Income Tax Act (Act 58 of 1962)
<b>SAQA</b>	South African Qualifications Authority
<b>SARS</b>	Share Appreciation Rights Scheme
<b>SENS</b>	The Securities Exchange News Service of the JSE
<b>SETA</b>	Sector Education and Training Authority
<b>SLA</b>	Service level agreement
<b>Telebest</b>	Telebest Holdings Proprietary Limited
<b>TES</b>	Temporary Employment Services
<b>The Workforce Group</b>	The Workforce Group Proprietary Limited (Registration number 1999/006358/07) a company incorporated in terms of the company laws of South Africa, a wholly owned subsidiary of Workforce
<b>Workforce or the company</b>	Workforce Holdings Limited (Registration number 2006/018145/06) a company incorporated in terms of the company laws of South Africa, and listed on the ALT <sup>x</sup> exchange of the JSE



# Manifesto

**We believe a job is not just a job; it is a life-changing opportunity for an individual.**

**A job is a path to a quality life for the individual and a valuable investment for the stakeholder.**

Our business has always been about people and how to change people's lives for the better. We've spent years learning about our industry and the people we work with; client, candidate and stakeholder. We've always been on a quest to uplift people, not just giving them an opportunity to work, but also ensuring that they have the tools to be productive through training, healthcare, employee benefits and lifestyle products. We've forged ahead in this quest and today not only do we give people an opportunity to work so that they can build a life for them and their loved ones, but we also uplift them through training and skills development and ensure that they are healthy and happy individuals.

**But this is a never-ending quest because there are always more lives to be changed, more value to gain from investing in people.**

We are here to stay, because while we strive to make an impact we want that impact to be sustainable. At our heart, we are many, all working towards a common goal, working together and supporting each other in every endeavour.

And we are here to uplift people and grow our business in the process.

## **Uplifting people. Growing business**

We want Workforce to stand for "upliftment and growth" – let it build over time. That is what the name Workforce Holdings becomes synonymous with.