



*Making a
meaningful
and sustainable
difference in
peoples' lives*



workforce
HOLDINGS LIMITED

Integrated annual report 2016

Scope and boundary

The boundary of our report is the financial reporting entity of Workforce Holdings Limited ("Workforce") and its subsidiaries. The report framework is in line with International Financial Reporting Standards ("IFRS"), the King Report on Corporate Governance in South Africa, 2009 ("King III") and the South African Companies Act, 2008 (Act 71 of 2008), as amended ("Companies Act"). The audited financial statements are prepared in accordance with IFRS.

Integrated reporting is recommended by King III and in preparing our report we were 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. 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.

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 2016 to 31 December 2016 on matters material to our strategy and our ability to create and sustain value.



Ronny Katz
Executive chairman



Philip Froom
Chief executive officer



Willie van Wyk
Financial director

22 March 2017

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 Beever Agency CC, an external BEE 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 board of directors ("the board") acknowledges its responsibility to ensure the integrity of the integrated annual report for the 2016 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.

Philip Froom
New group CEO



B-BBEE
Level



5 Operational
countries

93 Branches
In all the provinces
of South Africa

27 Trading brands

9 Training centres



312 People with disabilities trained

190 Internships

50 000 Medical examinations
conducted



29 800

Funeral and
medical policies



70 353

Funeral policy
lives covered

Established
45 years
ago

76 445
employees
paid during
2016

Youth employed

65%

1 186

Permanent
staff



32 304

Weekly
contractors



2 919



Total learnerships

1 885

Internal
learnerships

1 034

External
learnerships

1 192

Unemployed learnerships

14 573 Total number of
people trained

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2016 highlights

↑ Revenue up by **29.4%** to **R2 523 billion**

↑ Non-staffing EBITDA up to **21%**
(2015: 15%)

↑ EBITDA from acquisitions **R25 million**
(2015: R1,5 million)

↑ NAV up by **24.2%** to **R1,95**

Net debt to total assets **27%** despite acquisitions funded by debt
(2015: 36%)

↑ HEPS up by **20.1%**

↑ EPS up by **17.6%**

↓ Days sales outstanding **46** (2015: 45)

Appointment of new chief executive officer, Philip Froom

↑ Cash flows from operating activities; **R69,2 million**
(2015: R22,5 million)

Acquisitions during 2016:
Gcubed Boutique Recruitment
Quyn group of companies

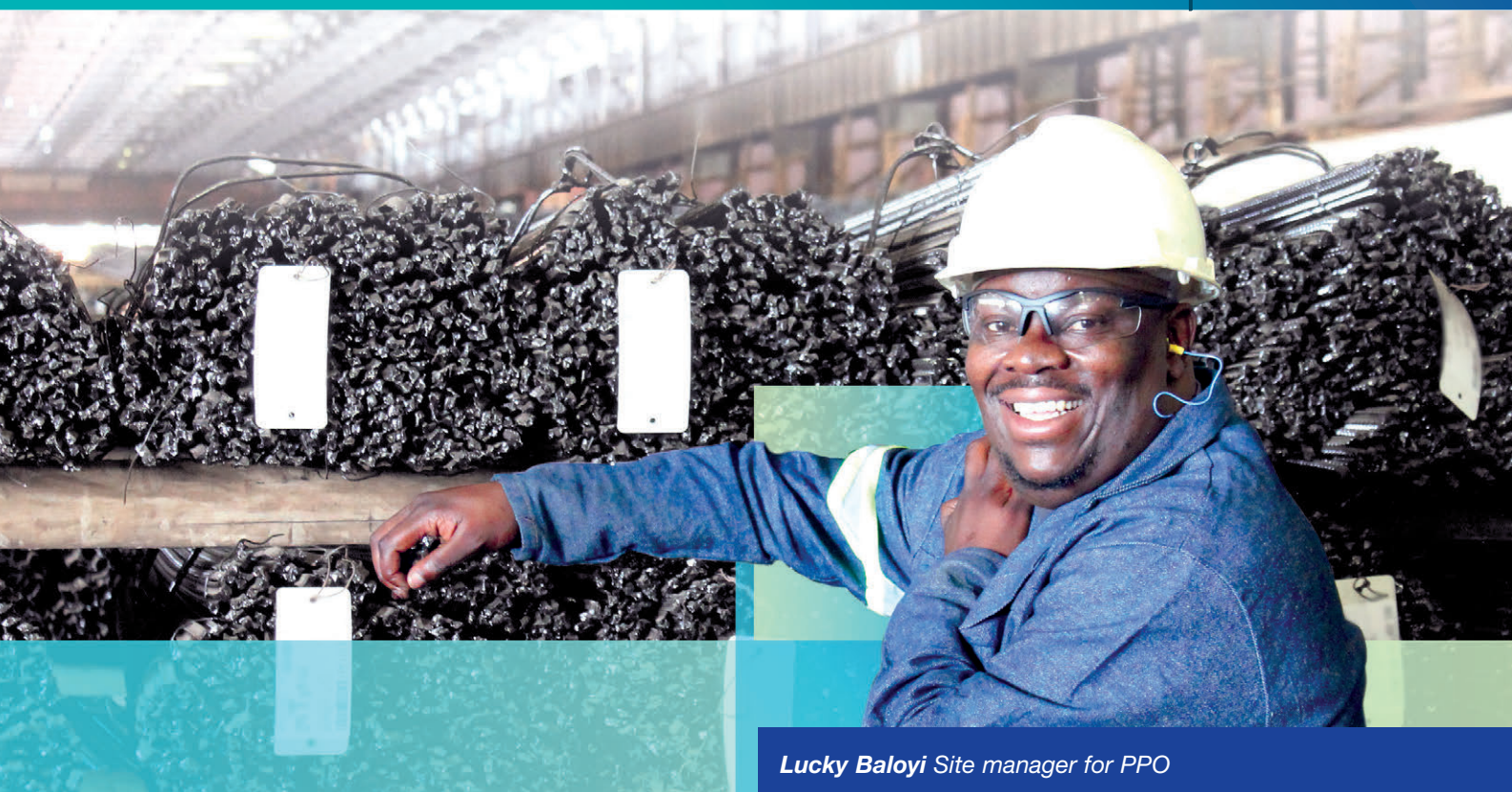
Creation of enterprise development initiative:
Qunu Workforce

Market capitalisation exceeds **R500 million** for the first time

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This is Workforce

1



Lucky Baloyi Site manager for PPO

Lucky is married with two children and lives in Pretoria, while his family still resides in Witbank. Lucky became a site manager for Programmed Process Outsourcing's client Arcelor Mittal at their Small Section Mill in Pretoria in 2016.

”

Becoming site manager for Programmed Process Outsourcing (“PPO”) was a happy surprise for me. After 14 years I had been retrenched when my employer closed operations in Witbank. Very disappointed and worried about my future, I submitted my CV to Fempower and was excited when a month later I received a call about a position at PPO. I went into the interview thinking I was applying for an artisan position. Little did I know that PPO had examined my CV, seen that I had an NQF Level 6 tertiary qualification from UNISA and years of experience in the steel industry, and saw potential in me to become a site manager. After joining I was put through a fast-tracked programme where I learnt every aspect of the

outsourced process PPO was managing, from production to stock control and material dispatch. I'm grateful PPO saw in me what I couldn't see myself, managing a team and being a leader – but PPO believed in me and invested their time and money to prepare me to become a site manager. My mentors Francois Hugo and Dermot Byrne, taught me a lot about how to be a good manager and how to motivate a team. I still can't believe what an amazing opportunity getting this job was. I have grown so fast in my career since joining PPO and feel I can achieve a lot in this company. I want to focus on getting things right in my current job to be the best site manager I can be.

Corporate profile

Workforce provides employment, training, healthcare, wellness, financial services and lifestyle benefits to individuals and their employers.

Our vision

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

This year marks the 45th anniversary of the establishment of Workforce in Johannesburg. Through a strong commitment to achieving our vision and the innovative and entrepreneurial spirit of our employees, our business has grown from providing only artisans in 1972 into a large diversified group of companies providing employment, training, healthcare, wellness, financial services and lifestyle benefits to individuals and their employers, employing over 1 000 permanent staff and paying over 32 000 temporary contractors weekly.

Our mission

Striving to be the leading, trusted provider of employment, training, healthcare, wellness, financial services and lifestyle benefits to individuals and their employers.

Our employees are at the heart of our sustainable growth and development. Driving the strategic direction set by the board is a team of over 100 senior executives and managers who are responsible for delivering growth across the group and maintaining smooth operations and high service levels. They focus on ensuring that the necessary procedures, infrastructure, controls and employees are in place. Their knowledge, energy and leadership are key to creating a productive working environment.

Over 1 000 operational and support staff are the engine room of our business and play an important role in driving and sustaining our success. Their hard work and commitment to service delivery is vital to meeting client expectations and supporting our growth.

To maintain our growth we need to demonstrate our ability to deliver consistent, reliable service. An essential element of this is retaining key people and inspiring them to perform.

Our values

Integrity; accountability; passion; collaboration; gratitude; diligence – strong work ethic; determination; and a “can-do” good attitude.

Workforce has a strong set of corporate values which guide all aspects of our business, from attracting and retaining talent to

our day-to-day activities and stakeholder interactions to the large corporate and business transactions we negotiate. It is our aim to ensure that our values are reflected in all that we do.

Our diversification strategy remains core to our business philosophy and ever more relevant during the current market environment. Much emphasis is 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 the group. By accomplishing this, we are 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.

Our purpose

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

Workforce is well positioned to continue its role of introducing thousands of workers into the job market on a national basis – realising significant economic benefits from skills, youth development and job creation – particularly for first-time job seekers who use atypical employment as an entry into the job market and gain from training and skills development provided. This is a crucial link in the job market and one that is followed in many markets internationally. Workforce creates jobs, facilitates training and skills development and gives people access to medical and financial services and benefits. Importantly, Workforce creates jobs for the previously disadvantaged, the youth, women and people with disabilities. These factors, we believe, gives our group a sustainable future business model which has evolved over 45 years.

Within our business model, people are at the core of the value we create for our clients. By pursuing our purpose of making a meaningful and sustainable difference in people's lives, by uplifting them, finding employment for them and empowering them with the appropriate training, healthcare, financial and lifestyle benefits, it translates into shared value not only for our most important assets, our staff and contractors, but for all our stakeholders.

Corporate profile *(continued)*

Our diversified and integrated business structure

Our business model reflects our diversification and is structured into five operating segments, namely staffing and recruitment, training and consulting, employee health management, financial and lifestyle products, and process outsourcing; with the staffing and recruitment segment accounting for the largest portion of our revenue. We believe this structure is core to the sustainable growth of the organisation, as it facilitates integration and further diversification of our services, including expansion into adjacent services and new markets. Services integration of the various offerings of each of the closely aligned trading companies within our business model continues to drive the group's success.

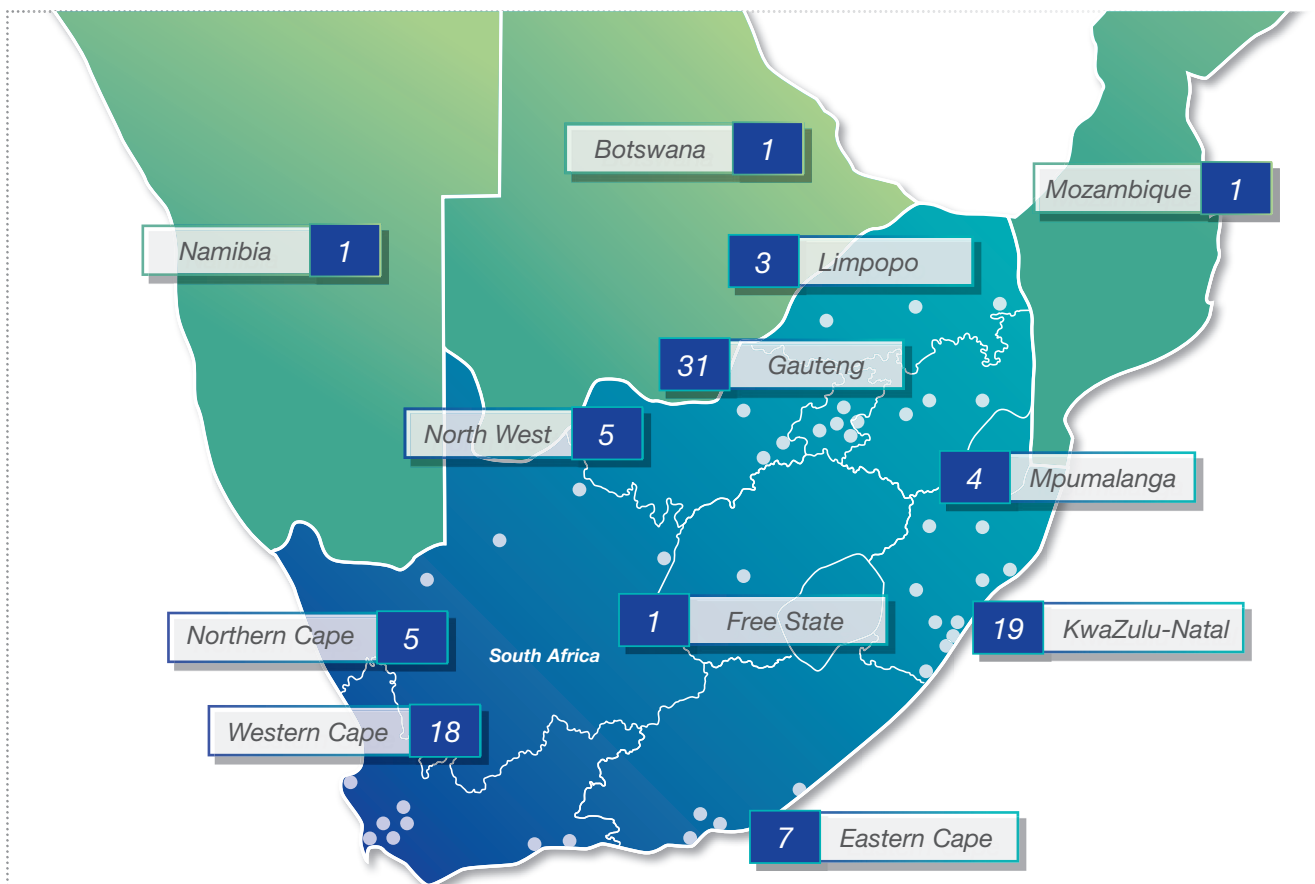
Diversified operating structure



Our footprint

The group operates predominantly in South Africa, and boasts an extensive national branch infrastructure that extends to all the provinces of the country, giving specialist business divisions an extended presence throughout the country. This footprint also gives us a competitive edge in terms of contract continuity and operational efficiency when responding to our clients, specifically in terms of temporary employment services, which by nature of the service, is fast-paced requiring quick turn-around times. Our footprint currently comprises 93 branches. During the reporting period we established a presence (albeit small) in Mozambique, Namibia and Botswana. Subsequent to the reporting period we established a presence in Mauritius.

Southern Africa



During the reporting period we established a presence in Mozambique, Namibia and Botswana.

93 Branches

Our value creation business model

OUR VISION

Creating shared value by making a meaningful and sustainable difference in peoples' lives

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

Inputs

Our components of value creation

Financial capital

Debt-to-equity funding; divisional funding structures; access to capital; funding grants and incentives.

Organisation capital

Diversified and decentralised businesses; national branch network; training facilities; training courses; licences; proprietary software; copyrights; brands; trademarks; bespoke operating systems and procedures; unique customer solutions; industry knowledge.

Human capital

1 186 permanent staff; 32 304 contractors, professional consultants; industry knowledge; business know-how of key employees; leadership; decentralised management.

Relationship capital

Stakeholder relationships; customer satisfaction; suppliers; ethical conduct; governance; community support; environmental stewardship.

Activities

Our inputs are transformed through our diversified and integrated business model



Diversify income and risk. Unlock the value of our client base. Manage our costs. Inspire our talent. Engage and communicate.

OUR **PURPOSE**

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

OUR **VALUES**

- ▶ **Integrity**
- ▶ **Collaboration**
- ▶ **Accountability**
- ▶ **Determination**
- ▶ **Passion**
- ▶ **Diligence**
- ▶ **Gratitude**
- ▶ **“Can Do” good attitude**

Outputs

Employment, training, healthcare, wellness, financial services and lifestyle benefits to individuals and their employers

Impact on our stakeholders

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

Outcomes

Shared value created

Financial capital

- ▶ *Improving*

Organisation capital

- ▶ *Optimising*

Human capital

- ▶ *Developing*

Relationship capital

- ▶ *Augmenting*

Understanding stakeholder expectations and societal needs through stakeholder engagement

Our strategy, material issues and risks

We are driven by our vision to become a global provider of innovative, integrated and diversified people solutions and diversification of income and risk, via organic and acquisitive growth, continues to be our long-term sustainable business growth strategy.

The group's service capability will continue to be extended in order to operate across a broad range of industry sectors, each with its own distinctive characteristics and within each sector we will reinforce our competitive positioning and the delivery of innovative and diversified people solutions encompassing:

- ▶ *Temporary employment services*
- ▶ *Permanent placement recruitment*
- ▶ *Training and skills development*
- ▶ *Healthcare and wellness*
- ▶ *Disability solutions*
- ▶ *Financial services and lifestyle benefits*
- ▶ *Business process outsourcing*

Our strategic thrusts outlined below are deemed material because they can affect our ability to create value over time and therefore form the basis for the group's key operational priorities.

Materiality is defined as issues or occurrences that have a significant financial, economic, social and environmental impact on the short, medium or long-term performance or prospects of the group. In determining which aspects are most material we considered the impact the issues could have on our strategy, our business model or the forms of capitals that flow through our business.

Our strategic and operational priorities

Within the framework of our strategic value drivers, we are pursuing a number of operational priorities to give effect to our strategy. In addition, the challenging state of the economy has resulted in the need for greater focus on managing cash flow, reducing operating expenses and protecting our market share.

Priority	Focus area	Objective	2016 performance
Organic growth	Protect and grow existing business. Cash generation. Cost management. Operational efficiencies. Communication, cross-selling and collaboration.	Introduce existing clients to new services and solutions. Create new positions within adjacent and new market segments. Develop the most appropriate organisational structure and reporting lines. Internal cross-selling and collaboration. Improving working capital management to optimise cash generation. Diversification of income streams outside of the staffing and recruitment segment.	Established Qunu Workforce and introduced strategies to increase our presence in the placement and training of people with disabilities; technical and trade skills training; encouragement and incentivisation of improved communication; collaboration and cross-selling among business units within the group.
Geographic diversification	Realisation of operational capability across all aspects of human resources management into new geographic markets.	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.	Presence established in Mozambique, Namibia and Botswana.

Priority	Focus area	Objective	2016 performance
Acquisitive growth	Accretive acquisitions. Complement existing business. Diversification and entry into new markets.	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 is also an objective. Diversification of income streams outside of the staffing and recruitment segment.	Quyn group of companies and Gcubed Boutique Recruitment ("Gcubed") acquired. Acquisition pipeline built mainly in the temporary employment service ("TES") and training space.
Access to capital	Debt capital markets. Equity capital. Government funding and incentives.	Operate 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.	Domestic Medium Term Note Programme approved by the JSE. Engaging with investors and prospective investors.
Investment in information technology ("IT")	Human resources talent. Network security. IT systems and infrastructure. Innovation.	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.	Senior group IT executive appointed in January 2017.
Human capital	Create a culture of excellence. Reinforce company purpose and values. Improve communications. Employee wellness programme. Career development.	Attract, retain and invest in talent. Motivate, engage and develop employees to support innovation and engender leadership to create a culture of excellence. A happier, healthier, more productive and motivated workforce.	Introduction of chief executive officer semi-annual leadership and management conference. Introduction of internal Triple C's strategy focused on: communication; collaboration; and cross-selling. Chief executive officer intervention in staff induction programme.
Transformation	Increase training, communication and education on transformation, employment equity and broad-based black economic empowerment codes.	Transformation is of paramount importance to us and all our stakeholders and is a key priority. Identify Black talent and opportunities to grow and develop.	Appointment of group transformation manager in August 2016. Re-constitution of transformation committee; corporate social investment committee; and skills development and employment equity committee.

Key risks impacting the group

We remain committed to effective risk management and recognise that the management of business risk is crucial to our continued growth and success. Four key disciplines make up our risk management framework:

- Appropriate effective risk governance structures;
- robust audit and compliance risk management;
- effective relationship management with all regulatory and legislative structures and bodies; and
- appropriate structures, processes and capacity to manage strategic operational risks.

Our strategy, material issues and risks *(continued)*

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

Risk	Risk impact	Mitigation and control strategy
Regulatory	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 Labour Appeal Court regarding the “deeming provision” could result in the potential for unintended consequences.	Internal specialised team of labour, industrial relations and legal experts that provides guidance on the interpretation and application of regulatory requirements to our business and clients. Representation on CAPES and other relevant industry bodies that ensure appropriate and timeous engagement, education and communication of all regulatory matters.
Political	Ongoing tension between unions, political parties and business regarding TES and outsourcing could result in labour unrest.	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.
Economic	Challenging state of the economy may result in fewer job opportunities created by our clients thereby negatively affecting demand for our services.	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.
Capital and funding	Inability to raise adequate debt or equity capital to sustain and grow existing business Short-term nature of debt facilities.	Diversify our funding sources between equity and debt capital including an appropriate weighting between long and short-term funding.
Financial	The group benefits from significant government incentives that would impact its profitability if withdrawn.	Driving organic and acquisitive growth to become less reliant on government incentives.
Transformation	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.	Transformation committee and sub-committees with senior management representation; strategy aligned to revised broad-based black economic empowerment codes; clearly defined goals linked to key performance indicators (“KPIs”) of managers.
Acquisitions	Failure to integrate and realise full value from acquisitions.	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.
Credit risk and cash management	Inability of clients to meet their payment obligations timeously or at all. Inability to sustain and grow the business.	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.
Technology	Relevance of our IT infrastructure and systems on our business model directly impacts our ability to deliver and support our client-base and our own businesses.	Appointment of senior group IT executive in January 2017; IT steering committee strategy; investment commitment and funding to support strategy.

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Leadership review

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Maida Malesa PA to the chief executive officer (Workforce Holdings)

Maida (30) lives in Lyndhurst with her husband and two sons, aged 7 and 1. She started her career at Workforce as an administration intern with the legal department in 2010.



In 2010, I was 23 and had just had a baby. I had graduated with a diploma in Office Management but had been unable to find steady employment. Every Wednesday I used to buy the newspaper and circle ads in the jobs section and then I would send my CV out from an internet café. I felt like all hope was lost. Then a friend told me that Workforce was offering internships. I applied and was selected to do an administration internship in the Workforce legal department. After just one and a half months I was asked to work at reception, three weeks after that I was asked to step in as PA to the chief executive officer. Workforce made sure that I excelled in this position by sending me to Damelin to do a certificate in Professional PA and

Reception. I am now PA to Philip Froom, the group's current chief executive officer. Being a PA to the chief executive officer has taught me so much, to always be open, always be willing to help others and smile no matter what's going on outside of work. Being at Workforce has also taught me about setting goals. One of the highlights of my time working here was when I bought my first car, this was something I never even dreamed of doing and I would not have been able to do this if I hadn't learnt about saving and planning. I'm here today because of Workforce and my next career goal is to grow into a management position, ideally as a branch manager of the company.

Chairman and chief executive officer's review



Ronny Katz

Executive chairman

Philip Froom

Chief executive officer

Dear stakeholder,

We have decided to present a joint leadership review this year to take into account that Ronny Katz was the interim chief executive officer for eight months of the year until Philip Froom joined the group as chief executive officer towards the end of the period under review in August 2016.

Background and year under review

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

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 and financial and lifestyle benefits. These key objectives and goals are aligned with those of the South African government.

We are proud to report that we employ 1 186 people and paid 75 138 temporary contractors during the year under review, trained 14 573 people, 3 109 on learnership and internship programmes, insured over 24 000 lifestyle benefit policies and conducted over 50 000 medical examinations through our 27 operating brands, network of 93 branches and 9 training centres across South Africa.

Our results for the reporting period have shown significant improvement on previous years. This has been achieved against the backdrop of a sluggish economy coupled with ever increasing levels of unemployment and amended labour regulations. The prevailing tough economic environment has highlighted the resilience of our diversified and integrated business model, reinforced by the effectiveness of our customer-centric product and service solutions that have been delivered to the market from our national branch network.

Although the amendments to the various labour laws took place over two years ago, we believe we are still in a settling in period because of the significance and extent of the amendments that were enacted at the time. We put a great deal of effort and planning into place to position the group to be able to continue to service its clients and to take advantage of the provisions of the new legislation. This effort involved extensive training of our staff, restructuring of contracts, IT systems, changes to operational processes and methodology and in general ensuring the sustainability of the business within the framework set out by the new legislation. As a result of these efforts we have successfully taken compliant solutions, that were devised by our internal legal department in conjunction with our external advisers, to our clients and achieved acceptance and adoption thereof and as such do not regard the labour legislation as restrictive but rather a positive enabler for our business.

The “deeming provision” judgment handed down in the Labour Court in September 2015 is now subject to appeal. Our expectation is that the Labour Appeal Court will uphold the Labour Court’s original decision which would be positive to the industry and our group. Regardless of the outcome, we are confident that the Temporary Employment Service (“TES”) industry will be sustained and our business model validated.

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 50% of the current youth in South Africa is unemployed. The TES industry is not just focused on unskilled employment, it is important to note that most TES jobs are semi-skilled or service orientated in nature and our business model targets employment at all levels.

We will ensure that we will continue to render value added services to our clients and foster fair and reasonable employment for our TES employees.

Financial performance

The financial performance of Workforce during the year under review was pleasing and included the following financial highlights:

- Revenue increased by 29.4% to R2,52 billion;
- EBITDA increased by 29.4% to R137,9 million;
- headline earnings per share increased by 20.1% to 40,0 cents;
- net asset value per share increased by 24.2% to R1,95;
- cash flow from operating activities improved resulting in cash and cash equivalents of over R75 million at 31 December 2016 (2015: R13 million); and
- net interest-bearing debt to total assets has improved to 27% (2015: 36%).

These results were achieved in the main from a strong performance in our two largest operating segments – the staffing and recruitment segment, led by our core blue collar Workforce Staffing business, and our training segment, which benefited from the acquisition of Prisma Training Solutions Proprietary Limited (“Prisma”) in October 2015 and which was included in our results for a full 12 months for the first time.

In total the companies acquired during the 2015 and 2016 financial years contributed R25,4 million (2015: R1,5 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



“I would like to welcome Philip to the position of chief executive officer. I have no doubt that under Philip’s leadership the group will enter its next phase of growth by realising its stated objectives and strategies. I wish him much success and a long and fruitful relationship with the group.”

Ronny Katz

of the acquired companies to our earnings per share has been marginal.

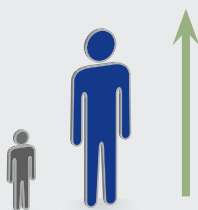
Operating costs have increased by 32% and operating costs as a percentage of revenue is 18.3% (2015: 17.9%). An increase in the provision for bad debts as well as increased spend in shared services to support business growth was made. Please refer to the financial director’s review for further details. Improved cash generation is a key focus of management.

Our diversification strategy is starting to bear fruit with the staffing and recruitment segment now contributing 79% of our segmented EBITDA versus an 85% contribution in 2015. Our training and consulting operating segment has grown significantly and now comprises 12% of our segmented EBITDA (2% in 2015). We recognise, however, that the staff outsourcing segment of our group is an important and growing business and coupled with the consolidation opportunities in this industry we will continue to pursue potential acquisitions in this space.

The employment tax incentive represents a lower percentage of total EBITDA in 2016 relative to 2015 but 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.

Chairman and chief executive officer's review *(continued)*

Staffing and recruitment revenue up by **29.7%**.



Staffing and Recruitment

Provided more than **3 000 learnerships** and internship programmes in 2016.



Training and consulting

More companies are recognising the positive impact employee wellness has on a business from reducing absenteeism to improved levels of productivity and quality of life.



Employee health management

Group structure and Africa

In alignment with our strategy to diversify the group's income, we continued our efforts to solidify our leadership and management structures. In addition to the appointment of Philip as group chief executive officer, we are also currently expanding the depth and quality of our internal audit, financial resources and group financial department. The growth in our underlying businesses is also necessitating further investments in our shared services areas including information technology, human resources, marketing and legal.

The restructure of our core business Workforce Staffing and the appointment of Sean Momberg as its managing director in January 2016 produced positive results with this business gaining market share and delivering particularly pleasing returns.

The period under review also saw the official commencement of Workforce Africa operations and branches were opened in Mozambique, Namibia and Botswana. We are currently investigating partnership opportunities in other African territories. Subsequent to the year end we acquired 76% of Day-Click Limited ("Day-Click") a business that provides temporary employment and permanent recruitment services in Mauritius. Our presence in these territories has been initiated on a conservative basis to establish a footprint with as little risk as possible and has largely been pursued via our existing client base.

Workforce delegates authority and responsibility to its divisions and businesses to give its people a sense of ownership. This motivates them to innovate within a defined business model and risk parameters, enhanced by corporate support and shared services including a governance framework.

Operational review

Our business is structured into five operating segments.

Staffing and recruitment

The staffing and recruitment segment had an excellent year growing revenues by 29.7% to R2,2 billion (2015: R1,7 billion) and EBITDA (prior to any allocation of shared services costs) by 26.7% to R173,3 million (2015: R136,8 million). This was driven mainly by **Workforce Staffing**, our core blue collar business and main driver of revenue for the group. Workforce Staffing was buoyed by its continued involvement in energy and telecommunication-related infrastructure projects as well as its success in attracting new clients in other industries. Its pipeline of new business remains robust.

Workforce Staffing now operates throughout all nine provinces of the country with eight regional directors reporting into a national management structure that was centralised during the year.

The Quyn group of companies ("Quyn") was acquired in February 2016 and allows the group to have an increased presence in the provision of outsourced technical artisanal skills in the TES industry. Although Quyn performed below expectations due to a delay in the roll out of infrastructure projects we look forward to a much improved 2017 as these projects commence.

The Allmed group of companies ("Allmed") which house the specialised nursing brands of Albrecht Nursing Agency, Nursing Emergencies and Tshwane Nursing had an excellent year under the leadership of Donald Houston-McMillan. Donald is also the chairman of the Allied Nursing Association. Allmed contractually supplies contract nursing staff to the Department of Health as well as the major hospital groups in the country.

Our white-collar businesses **Fempower** and **Telebest Holdings ("Telebest")** (which includes the brands of Teleresources and Only the Best) experienced a difficult year as the effects of the amendments on the new Labour Relations Act (Act 66 of 1995) ("LRA") resulted in many clients deciding to permanently employ or terminate the services of their outsourced white collar staff.

Our smaller operating businesses of **Accotech**, **Jet Talent** and **Gcubed**, which was acquired in May 2016 (see further under acquisition activity below), all performed in line with expectations.

During the latter part of the year, we established a new joint venture **Qunu Workforce**. Qunu Workforce is held 51% by Swati Dlamini and Zaziwe Manaway, Nelson Mandela's granddaughters, and 49% by Workforce. Qunu Workforce is led by Tendai Khumalo and specialises in the training, placement and on-boarding of people with disabilities in the workplace and offers the Workforce group's suite of products into areas that have previously not been penetrated by the group. Qunu Workforce is an enterprise development initiative of Workforce and funded by Workforce. We are excited by the prospects that Qunu Workforce offers us.

Training and consulting

Skills development and training are a crucial requirement and a challenge for our country. Lack of skills results in an inability for people to find suitable employment. We are proud of the increasing role we play in the up-skilling of people and provided more than 3 000 learnerships and internship programmes in 2016 alone. Many of these learners were previously unemployed. It remains a challenge to ensure the learners successfully complete their learnership programmes and we remain committed to employing innovative solutions to achieve this.

The training segment increased revenues by 83% to R88,4 million (2015: R48,2 million) and EBITDA from R3,9 million to R25,2 million. The large growth in our training segment was

primarily due to the acquisition of **Prisma** in October 2015 and included in our results for a full year for the first time. Prisma is a specialist training provider to the mining sector and despite the woes experienced in the commodity sector in recent years, achieved excellent results. Prisma was established in 2007 and is managed by the vendors Braam Fourie and Jacques Farmer. We believe that the legislative requirement for mines to remain compliant and up to date with compulsory training provides Prisma with a degree of resilience to the volatility that is inherent in the industry. Coupled with this, the recent recovery in commodities also bodes well for its future prospects and accordingly we remain positive in our outlook for Prisma.

Training Force Proprietary Limited ("Training Force") also experienced a year of solid growth. As an accredited training provider, Training Force has become a leader in the provision of funded and unfunded learnership agreements and provides skills programmes, short courses, specialist qualifications and artisanal training through its three artisanal schools in Phalaborwa, Saldanha and Klerksdorp and other training centres nationally.

Training Force results should be buoyed by the increase in the skills development levy of the new transformation scorecard as well as the five-year extension in the S12H learnership tax allowances. Strategically we believe there also exists an opportunity to meet the large pent-up demand for artisanal training.

Subsequent to the year-end we acquired **KBC Holdings Proprietary Limited ("KBC")**, a specialist training provider that offers induction training, Safety Health and Environmental ("SHE") training, contractor on-boarding services and contractor management, primarily to the mining and minerals sectors.

We are focusing on growing our training segment further to be a significant contributor to our group's EBITDA and will continue to search for suitable acquisitions in the training sector.

Employee health management

Workforce Healthcare Proprietary Limited ("Workforce Healthcare") offers a comprehensive range of on-site and off-site primary and occupational healthcare services as well as employee wellness programmes in a manner that clients can select the specific healthcare elements they require. 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.

Workforce Healthcare achieved revenues of R39,5 million (2015: R36,6 million) and EBITDA of R3 million (2015: R2,8 million), marginally ahead of the previous reporting period.

We believe Workforce Healthcare and its DNA Wellness brand have underperformed relative to its potential. Businesses are obliged to provide occupational healthcare to their employees to

Chairman and chief executive officer's review *(continued)*

prevent the risk of liability in terms of the Occupational Health and Safety Act (Act 85 of 1993) ("OHSA"). In addition, more and more 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 plan to invest in people and necessary infrastructure that, although may initially curtail the business's performance in 2017, will hopefully result in setting this business on a path for future growth.

Financial and lifestyle products

This segment comprises **Babereki Employee Support Services Proprietary Limited ("Babereki")** a registered credit provider, **Debtworx** and **Essential Employee Benefits Proprietary Limited ("EEB")**. Revenues of R93,5 million (2015: R69,7 million) and EBITDA of R14,57 million (2015: R15,09 million) was achieved in 2016.

Financial inclusion and the demand for financial services and lifestyle products remain high. 2016, however, remained a challenging year within the micro finance industry.

The industry remains under media scrutiny, with specific breaches of the National Credit Act highlighted. Administration and compliance demands continue to increase, placing further pressures to maintain costs. Industry reports record that approximately 54% of consumers dispute their debit orders placing further strain on collection processes and costs.

Many courts also delayed issuing S58 Emolument Attachment Orders in 2016 based on an outstanding case that resulted in a challenging backlog in collection processes. Judgment was eventually handed down in September 2016, bringing much needed certainty in this area.

Despite the above challenges, Babereki's improved collections performance was satisfactory and it achieved solid growth compared to 2015.

The gross advances book at the end of December 2016 was R225 million (2015: R181 million). Provisions of R53,4 million (2015: R41,4 million), represent 23.7% of the gross book (2015: 22.8%).

EEB experienced a difficult year and underwent a change in management in the last quarter of 2016. We believe there exists significant opportunity in this business to provide temporary employees with access to affordable financial and value added benefits that are normally only associated with permanent employment. The amended labour and employment equity legislation requires employers to provide fixed term contractors with benefits that are equitable with permanent employees. We have launched a range of funeral insurance, accidental death insurance and day-to-day medical and hospital products that have been well received by the market. We are excited by the momentum this business is now starting to gain.

Process Outsourcing

Although revenues for this segment increased slightly to R141,7 million (2015: R130 million), an increase in operating expenses to foster growth curtailed EBITDA to R2,66 million (2015: R2,84 million).

The business of **Programmed Process Outsourcing Proprietary Limited ("PPO")** is to charge the client for work performed based on productivity or per unit of output as opposed to charging the client per hour of staffing cost. Although there is currently concentration risk in this business we envisage that demand for these services will increase because of the new labour legislation as clients require specialised processes and innovative models for their staffing and resourcing requirements. One of our drivers of innovation is to continuously research and develop new solutions for employers to improve their productivity, efficiency and cost base.

Acquisitions

The acquisitions division, headed by Craig Katz, that we created during the last reporting period, has progressed well. During the financial year under review, we continued with our stated acquisition strategy of actively seeking to grow market share within both our core business and our diversified service offerings by sourcing and concluding relevant and meaningful acquisitions of suitable businesses.

We have refined our acquisition criteria and have become more efficient in identifying quality, businesses which are profitable and cash generative and that are also underpinned by strong management teams that share Workforce's entrepreneurial culture and values.

Prisma, the focused mining training provider which was acquired on 1 October 2015, has, as reported above, performed well and has exceeded its profit projections.

On 1 February 2016, we concluded the acquisition of the Quyn group of companies. Quyn is primarily a TES provider which focuses on the outsourcing of higher skilled technical and engineering staff, whilst also providing allied services such as payroll administration and human resources/industrial relations services. This acquisition has allowed Workforce to broaden and upgrade its temporary skills offering into the market and to also diversify its client base.

Whilst Quyn has contributed positively to the profitability of the group, it has also been impacted by delays in the commencement of certain infrastructural projects.

With effect from 1 May 2016, we acquired the business of Gcubed Boutique Recruitment ("Gcubed") as a going concern. Gcubed is a niche permanent placement recruitment and executive search business. The transaction, while not material from a size or value perspective, has given the group access to

a unique skill in the executive search arena whilst at the same time complementing our existing recruitment businesses.

Subsequent to the 2016 reporting period and in addition to the Day-Click acquisition in Mauritius noted earlier, we have made two further acquisitions.

KBC was acquired with effect from 1 January 2017. KBC is a training business that provides induction training and safety, health and environment training as well as contractor on-boarding and management services primarily to the mining and minerals sectors, where KBC enjoys meaningful market share and brand equity. KBC trains approximately 100 000 contractors annually through its 12 training centres situated throughout South Africa. We see numerous opportunities to grow the KBC business into other industries which are subject to safety legislation and similar compliance requirements. Besides from expanding KBC's customer markets, there are also many cross-selling and synergistic opportunities within the group and we are excited to be working with KBC's founder and chief executive officer, Graham Emmett, and his team to achieve growth and unlock further value.


Effective 1 February 2017, we concluded the acquisition of the business of Oxyon Human Capital Services Proprietary Limited ("Oxyon") as a going concern. Oxyon was established 20 years ago and is a TES provider and permanent placement recruitment business with a niche focus on higher level technical and artisanal skills, primarily within the engineering industry. Oxyon further diversifies Workforce's service offering, deepening our presence in the engineering space. It also offers an additional customer base into which we can offer and sell the group's complementary human resources service offerings.

We continue evaluating and assessing a range of acquisition opportunities. Acquisitive growth remains a core strategic thrust for the group.

Transformation

Transformation is of paramount importance to us and Workforce remains committed to meeting its transformation objectives. Although we are currently rated a level 3, the amended B-BBEE codes introduce challenges for us to meet our targets. We appointed a group transformation manager in August 2016 and we have reconstituted and refreshed the transformation committee and various sub-committees have been introduced. Communication, awareness and education around the importance of the amended B-BBEE codes have been driven through the group.

We are delighted to share real-life stories, that you will find throughout this integrated annual report, of people we have trained and given the necessary workplace skills to be employed. People who started as learners or interns and are now employed on a permanent basis by Workforce. The essence of transformation.



We have launched a range of funeral insurance, accidental death insurance, and day-to-day medical and hospital products that have been well received by the market.



Financial and lifestyle products

One of our drivers of innovation is to continuously research and develop new solutions for employers to improve their productivity, efficiency and cost-base.



Process outsourcing

Chairman and chief executive officer's review *(continued)*

The board

During the year, non-executive director Lulu Letlape resigned. The board extends its appreciation to Lulu for the valuable contribution she made to the group during the six years she served on the board.

As reported elsewhere, Philip Froom was appointed as an executive director and group chief executive officer in August 2016.

Shelley Thomas was appointed as a non-executive director, a member of the audit and risk committee and chairperson of the social and ethics committee of Workforce Holdings Limited in December 2016. We wish Shelley all the best and look forward to her contribution in enhancing our corporate governance and transformation objectives.

Investor policy

We need to ensure that we are operating with an optimal capital structure, appropriately weighted between debt and equity and short and long-term funding. Diversification of our shareholder base and an improvement in the liquidity of our shares on the JSE is constantly being considered. Communication with shareholders, the capital markets and all our stakeholders has been deliberately enhanced. This coupled with our improved financial performance has seen Workforce's market capitalisation exceed R500 million towards the end of the financial year for the first time.

Please refer to the strategic thrusts and key risks described on pages 10 to 12 of this integrated annual report.

Outlook

Although we believe the outlook for the economy remains constrained, the nature of the group's business model is defensive in nature and the various businesses that make up the Workforce group of companies continue to benefit from the various initiatives that the government introduces to drive economic growth.

Government aims to transform the economy through training, job creation and increased investment. A number of 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") in the electricity sector has boosted electricity supply with investment of

R194,1 billion and the creation of 57 000 jobs. 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.

Government's progress on its delayed infrastructure development plans should result in further demand for our group's services.

From a regulatory point of view, we welcome the introduction of a minimum wage 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. We do not believe it will have any material impact on our earnings.

With the activities and services that our group undertakes, we create shared value by making a meaningful and sustainable difference in people's lives and see ourselves as a substantial contributor to the socio-economic development of the communities in which we operate.

There is a clear sense of purpose within the group and our business unit leaders are optimistic about the prospects of their respective businesses.

Appreciation

People are the heart of our business and we would like to thank our group's directors, managers, employees and professional advisers for their ongoing passion and contribution to the various businesses of the group. We also extend our appreciation to our outsourced employees, trainees, learners and interns for the dedication and commitment they continue to display and to our customers for the faith that they have demonstrated in our ability to provide the vital component of labour into their organisations. Collectively, their contribution and confidence is paramount to our business success.



Ronny Katz
Executive chairman



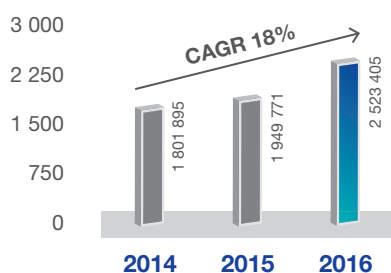
Philip Froom
Chief executive officer

22 March 2017

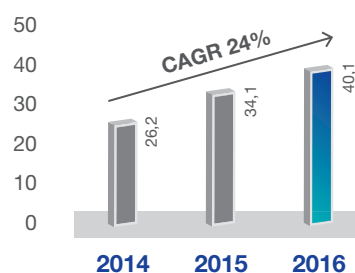
Performance indicators over time

Compound annual growth rate ("CAGR")

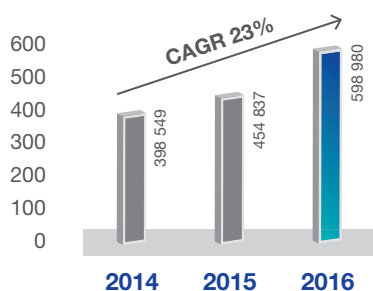
Revenue (R'000)



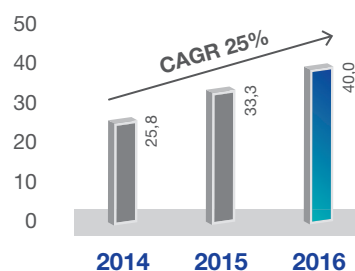
Earnings per share (cents)



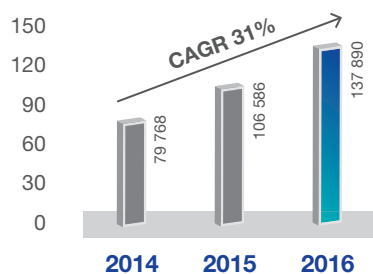
Gross profit (R'000)



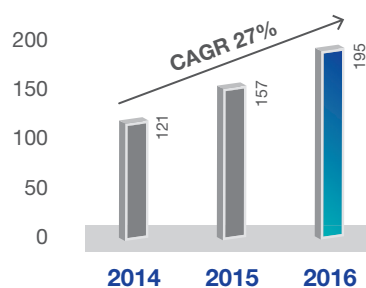
Headline earnings per share (cents)



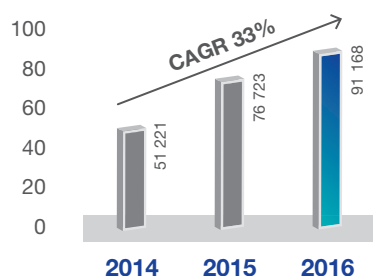
EBITDA (R'000)



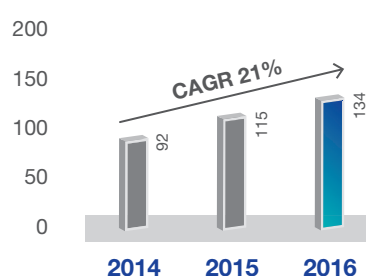
Net asset value per share (cents)



Profit before tax (R'000)



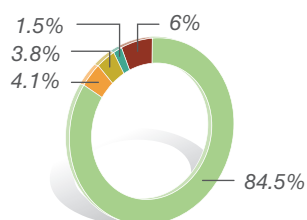
Net tangible asset value per share (cents)



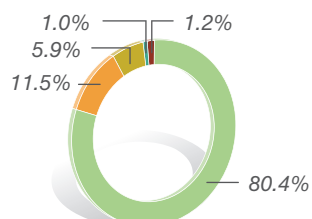
Diversification strategy in progress

2016

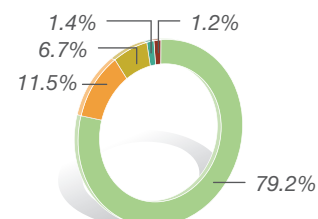
► Revenue



► Operating profit

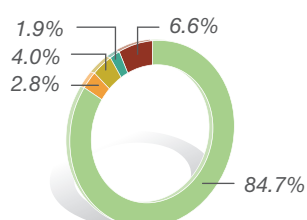


► EBITDA

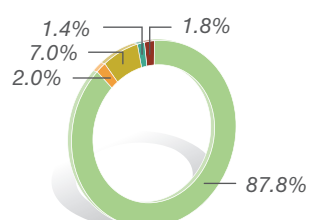


2015

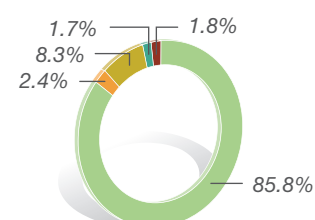
► Revenue



► Operating profit

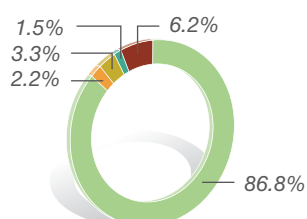


► EBITDA

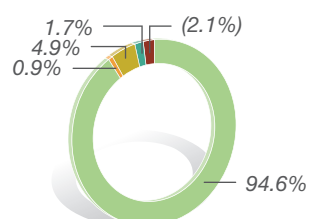


2014

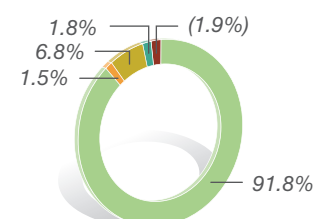
► Revenue



► Operating profit



► EBITDA



Staffing and
Recruitment



Training and
consulting



Employee health
management



Financial and
lifestyle products



Process
outsourcing

Financial capital	24
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Value-added statement	42

Our Capitals

3



Zanele Nkomo AET project manager and learnership administrator (Training Force)

Zanele (29) has a 10-month-old son and lives in Soweto. She started at Workforce as an administration intern in 2009.

”

In 2009, I had just graduated from South West Gauteng College with a certificate in Business Management, specialising in finance. I was lucky enough to secure an internship with Workforce where I could do experiential learning. My internship was six months long and at the end of it I used the experiential learning I gained at Workforce to apply for and eventually complete my diploma in Business Management in 2011. I was also very fortunate that the company decided to make me permanent after my internship. It was my first corporate job and

while I was very excited I was also very nervous. I have realised that in life there are no guarantees; you just have to work hard and have a good work ethic. I like being thrown in the deep end because it forces you to learn how to swim and the truth is, sometimes you're going to have to swim with sharks. Working at Training Force has also left its mark on me as I've realised the importance of education and have developed a passion for training. I believe that education is the vital foundation of building a good life.

Financial capital

Financial capital is defined as the pool of funds that is available to an organisation for use in the production of goods or the provision of services; obtained through financing, such as debt, equity or grants, or generated through operations or investments.

At Workforce our financial capital comprises our ability to generate funds through cash flows generated by operations as well as enhancing our ability to raise appropriate levels of funding. Our profitability and cash flow are the two most important indicators of our financial performance.

HIGHLIGHTS

- Revenue up 29.4%.
- EBITDA up 29.4%.
- Headline earnings per share up 20.1%.
- Net interest-bearing debt to total assets shows healthy improvement – 0.27 (2015: 0.36).
- Cash flow from operating activities vastly improved despite significant growth:
 - R69,2 million (2015: R22,5 million).
- Net asset value up by 24.2%.

MATERIAL ISSUES

- Days Sales Outstanding (“DSO”) at 46 days (2015: 45 days) coupled with high growth.
- Credit risk – increased trade debtor impairments: R29,5 million (2015: R8,5 million).
- Operating expenses to sales at 18%, can be improved.
- Finding new sources of funding.

CHALLENGES

- Balancing growth with cash flow generation and funding requirements.
- Balancing new business opportunities with credit risk.
- Balancing entrepreneurial spirit with cost management control requirements.
- Extracting full value from acquisitions.



Willie van Wyk

Group financial director

The training, financial and lifestyle, employee health management and process outsourcing segments all made positive contributions and contributed to growth in earnings.

Financial results review

Turnover for the 2016 fiscal year reflects an increase of 29.4% to R2,52 billion (2015: R1,95 billion). Organic growth represents 16.6 percentage points of this growth whilst the remainder of the increase is attributable to the two acquisitions made during the 2015 and 2016 financial years, namely Prisma (effective 1 October 2015), and the Quyn group of companies (effective 1 February 2016).

The organic growth is mainly attributable to the staffing and recruitment business which, through improved organisational restructuring and a renewed sales drive, has been able to gain market share.

The training, financial and lifestyle, employee health management and process outsourcing segments all made positive contributions and contributed to growth in earnings. The training and consulting business, in particular, has shown significant growth as a result of good organic growth and the acquisition of Prisma. This segment is poised to become a significant contributor to group results, further assisted by the post-year-end acquisition of KBC Holdings.

Gross margins have marginally improved to 23.7% (2015: 23.3%) primarily due to the acquisition of Prisma which operates in the high margin training space.

The employment tax incentive remains a contributor to the group's results, albeit at a relative lower level to total EBITDA compared to 2015. This incentive has been extended to February 2019.

Total operating expenses as a percentage of total turnover is marginally higher at 18.3% (2015: 17.9%). Operating expenses has been negatively affected by an increase in trade receivable impairments of R29,5 million (2015: R8,5 million). This deterioration is mostly the result of a few large debtors and management does not believe the level of impairment is necessarily a reflection of the potential future impairments. During this financial year, business units were encouraged to increase their sales and delivery capacity. Management believes that this strategy, which has also increased operating expenses, will bear fruit in the coming years.

The central cost segment includes mostly back office costs and services shared by the business units, including information technology, finance, legal, human resources, industrial relations and marketing. This cost has also been increased significantly in order to enable the group to accommodate more acquisitions, as well as to improve shared services delivery and response times to the respective business units.

EBITDA increased by 29.4% to R137,9 million (2015: R106,6 million).

Financial capital *(continued)*

The increase in depreciation and amortisation to R17,4 million (2015: R12,9 million) has primarily been caused by intangible asset amortisation as a result of acquisitions.

Net interest cost increased to R29,2 million (2015: R16,9 million). The increase is mostly attributable to imputed interest on outstanding acquisition payments, as prescribed by IFRS, as well as relatively higher debt levels during the year due to acquisitions funded by debt. Despite the aforesaid, net debt levels increased only marginally by 8.4% at year-end to R239,5 million (2015: R221 million).

Headline earnings per share increased by 20.1% to 40,0 cents (2015: 33,3 cents).

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 tax incentive programme has recently been extended to February 2019. 12H Learnership allowances have also been extended to 1 April 2022.

Cash flow

Days sales outstanding ("DSO") has remained relatively stable at 46 days (2015: 45 days). Overdue debtors older than 90 days improved to 5.0% (2015: 7.8%) because of write-offs. Operating cash flows improved to R69,2 million (2015: R22,5 million). The group's operating cash conversion ratio improved to 70% (2015: 36%). This ratio has been curtailed by the high growth experienced during the year as well as the higher than normal bad debt write offs as described elsewhere in this review. Cash flows from operating activities was mostly utilised to fund acquisition of business combinations to the amount of R41,9 million (2015: R14,6 million). The group ended the year with cash of R75,1 million (2015: R13,1 million).

Acquisitions

The companies acquired during the 2016 and 2015 financial years, contributed R25,4 million (2015: R1,5 million) to EBITDA.

Due to imputed interest, intangible impairments, and incremental interest paid due to the debt funding of acquisitions, the contribution by the acquired companies to earnings per share has, however, been marginal.

Gearing

Net interest-bearing debt to total assets improved 27% (2015: 36%) despite payments of R41,9 million (2015: R14,6 million) towards acquisitions. Included in interest-bearing debt are contingent amounts owing to sellers of acquired companies to the amount of R27,7 million (2015: R21,1 million).

Events after reporting date

Effective 1 January 2017, KBC Holdings, a company involved in induction training, was acquired by the group for a maximum contingent consideration of R47 million.

Effective 1 February 2017, the business of Oxyon was acquired for a maximum contingent consideration of R9 million.

Management anticipates that meaningful synergies will be unlocked from the above acquisitions.

Looking forward

The group is looking forward to building on the sales momentum created in the last couple of years, leveraging its delivery structure, concluding additional accretive acquisitions, funding these acquisitions in innovative ways, and above all using its entrepreneurial heritage to find new ways of adding value to all its stakeholders.

Appreciation

I extend my sincerest appreciation to our team in the finance department for their support and commitment and to our business leaders, who never cease to leave us in awe with the way in which they turn adversity into opportunity.



Willie van Wyk
Group financial director

Organisational capital

We have combined intellectual and manufactured capital to create organisation capital which includes organisational knowledge-based intangibles and manufactured physical objects (including assets created by other organisations) that are available to our organisation for the use in the provision of our diverse range of services.

At Workforce, organisational 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; and our extensive intellectual capital and industry knowledge.

HIGHLIGHTS

- Appointment of new chief executive officer, Philip Froom.
- Acquisition of Quyn Group and its associated companies.
- Africa expansion gained traction.
- Successful conversion of systems arising from LRA amendments.
- Unique client solutions effective following adoption of LRA amendments.
- Qunu Workforce established.
- Growth from our training and skills development segment.
- Acquisition of Gcubed.
- Improvement in cash generated.

MATERIAL ISSUES

- IT systems and infrastructure.
- Cash generation.
- Client credit risk.
- Legislative and regulatory.
- Inter-company communication, collaboration and cross-selling.
- Transformation.

CHALLENGES

- Integrate acquisitions into group.
- Unlock greater value from each segment.
- Information technology to support business needs.
- Operating expenses.
- Accreditations.
- Extract economies of scale from acquisitions.
- Short-term debt facilities.
- Lack of shareholder diversification and liquidity in Workforce shares.
- Transformation.

Organisational capital *(continued)*

Sustainable growth of our business


Growing sustainable profits year on year to generate cash remains a primary objective of the group. Cash generation enables us to create and develop value in all parts of our business. Workforce has become a truly diversified provider of people solutions, able to offer any client in any industry sector a range of integrated people solutions on whatever scale throughout South Africa, and now also beyond our borders. Our organisation capital is the key to our business prospering or failing. In particular, the cumulative value of the intellectual capital that Workforce has refined for over four decades informs and drives our evolving business strategies. This together with our other capitals enables the group to remain relevant and sustainable.





We create value by transforming the capital inherent in our business model into a set of outcomes that positively impact our stakeholders. Much emphasis is 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 are 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.

Since the enactment of amendments to various labour laws, including the LRA, Employment Equity Act, 1998 (Act 55 of 1998) ("EEA") and the revised B-BBEE codes of good practice two years ago, the legislative environment has continued to present the company with opportunities to expand its business and grow. The group had anticipated the outcome of the amendments, and through our in-depth knowledge of the temporary employment services market and our intellectual capital, we had proactively geared our operations to respond both in our core business and in further development and acquisition of augmented services. The new legislation continues to be complex, and as such our services have become even more essential, particularly as we have the requisite intellectual know-how and systems to navigate the complex legislative requirements, whilst simultaneously offering our clients value-adding solutions. This continues to entrench our relationships with our clients and enhances our reputation as a leading and trusted provider of people solutions.

Performance of our segments

Segment	Indicator	% Segmental contribution	
		2016	2015
 Staffing and recruitment			
Industrial staff outsourcing continues to be the primary contributor to group revenue. Through product innovation, our integrated solutions remain relevant to client needs as they encompass more than the relatively simple task of just providing staff and labour, but include a comprehensive administrative role supported by advanced technology and systems. This offering is further enhanced through integration of the group's other augmented services.	Revenue	84.5%	84.7%
	Operating profit	80.4%	87.8%
	EBITDA	79.2%	85.8%
	Youth employed	21 595	
	Contractors deployed daily	32 304	
	Leadership achievement Gillian Johnson – Managing director of Telebest group	Finalist – Standard Bank Top Women Awards 2016 Finalist in skills development 2016	
Within the recruitment environment, the group has strengthened its market position through organic growth and a number of acquisitions made during the past three years. Our niche focused business divisions will continue to play an increasingly important role in facilitating the specialised search and recruitment of talent on behalf of clients. Our employment, training and induction of people with disabilities is a priority of not only our group's companies but also the newly established Qunu Workforce.			

		% Segmental contribution	
Segment	Indicator	2016	2015
 Training and consulting			
<p>Recent acquisition of Prisma in this segment further enhanced the group's training capability, specifically in the mining arena. As training and skills development remains a national priority, the group continues to respond to market demands by offering an extensive range of training and skills development interventions on a national basis. These include accredited full qualifications, skills programmes and short courses specifically tailored to the needs of each sector it serves. Our successful track record of managing learnership and internship programmes for employed and unemployed learners continues to be an important contributor to the group's range of value-adding training interventions.</p>	Revenue	4.1%	2.8%
	Operating profit	11.5%	2.0%
	EBITDA	11.5%	2.4%
	Prisma: ISO 9001: 2015 – third company in SA to achieve this		
	Prisma trained 250+ learnerships		
	Training Force 1037 learnerships		
 Employee health management			
<p>More and more employers are recognising the impact employee wellness has on their business and are embracing the concept of integrating compliance-driven occupational healthcare with primary healthcare. Workforce Healthcare has a holistic approach to employee wellness management and offers a comprehensive range of integrated primary and occupational healthcare services incorporating employee assistance and wellness programmes, absenteeism management, substance abuse screening, HIV/Aids, TB and chronic illness management.</p>	Revenue	1.5%	1.9%
	Operating profit	1.0%	1.4%
	EBITDA	1.4%	1.7%
	ISO 9001 accreditation obtained		
	Over 50 000 medical examinations conducted		
 Financial and lifestyle products			
<p>Babereki offers a continuously evolving product range which comprises micro loans and lifestyle products backed by stringent controls and legislative compliance.</p> <p>The EEB division offers employers and individuals, particularly in the industrial outsourcing segment, with access to benefits normally associated with permanent employment including medical insurance, funeral, wellness, and loyalty products. EBB is an exciting high-growth opportunity for the group.</p>	Revenue	3.8%	4.0%
	Operating profit	5.9%	7.0%
	EBITDA	6.7%	8.3%
	11% Increase in loans advanced		
	60% Increase in products sold		
 Process outsourcing			
<p>Process outsourcing entails the delivery of the service, based on a unit output to the client, as opposed to a labour cost and is increasingly being sought by clients to achieve operational efficiencies, flexibility and to enable them to focus on their core business. Processes that are generally outsourced include manufacturing, packaging and debt collection with contract outcomes according to pre-determined standards, within pre-determined time-frames and at pre-determined costs.</p>	Revenue	6.0%	6.6%
	Operating profit	1.2%	1.8%
	EBITDA	1.2%	1.8%
	On-site client rating: SLA performance rating	99%	
	Comprehensive audit score	98%	

Human capital

Human capital is defined as people's competencies, capabilities and experience, and their motivations to innovate including their alignment with and support for an organisation's governance framework, risk management approach, and ethical values; ability to understand, develop and implement an organisation's strategy; loyalties and motivations for improving processes, goods and services, including their ability to lead, manage and collaborate.

At Workforce our human capital comprises our 1 186 permanent employees and over 32 000 employees who we deploy daily to our clients 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.

Our human capital is the interface with our clients, suppliers, business partners and a number of other stakeholders, and as such has a huge impact on the performance and reputation of the group.

Gillian Johnson

Managing director Telebest

Finalist – Standard Bank Top Women Awards 2016 and finalist in skills development 2016



HIGHLIGHTS

- *Provided 76 445 individuals with jobs.*
- *3 109 learnerships/ internships.*
- *21 595 youth employed.*
- *Lifestyle benefits for contractors well received.*

MATERIAL ISSUES

- *Employment equity.*
- *Inter-company communication and collaboration.*
- *Diversity management.*
- *Black talent management.*
- *Broad-based black economic empowerment.*
- *Youth employment.*

CHALLENGES

- *Equitable benefits for our contractors.*
- *Employment equity.*
- *Transformation.*
- *Inter-company communication and collaboration.*
- *Employment of people with disabilities.*

Our philosophy and approach to managing our human capital

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

Our philosophy is to build a mutually beneficial working environment that is stable and secure, underpinned by an ethics-based culture that is equitable, supportive and diversity-friendly, to enable our employees to achieve their full potential through decent and challenging work, to recognise their contribution and enable them to share in the growth of the organisation.

Our performance

Improving communication, collaboration and cross-selling across the group

Shortly after joining the group, chief executive officer Philip Froom hosted an executive management conference attended by 70 of our leaders and executives where he outlined his leadership expectations and introduced the importance of our values, of creating a culture of excellence and of leveraging the opportunities our large group of companies affords us. To realise these opportunities he highlighted the need to improve our "Triple C's": "Communication, Collaboration and Cross-selling" – thereby giving impetus to a new internally driven strategic focus area for the group.

Various business leaders had the opportunity to present their businesses and strategy to their colleagues with the purpose of learning more about each business and of potential synergies and cross-selling opportunities. The conference, a first of its kind in the history of the group, was an excellent way for staff to learn more about the businesses in the group, to network with each other and explore ways of how we can work closer together. Since the event, the group has seen a marked difference in the willingness of businesses to collaborate and the level of cross-selling that is currently taking place throughout the group is impressive. Further chief executive officer-hosted events like this will be held bi-annually.

Human capital statistics

During the reporting period the group employed and provided security and stability to 1 186 permanent employees and 32 304 contractors at its businesses located throughout South Africa. Refer to our employment equity table on page 32 to view the demographic profile of our employment complement.

All permanent employees reap the benefit of a basic salary augmented by other benefits that include a retirement fund, risk and medical aid benefits which are subsidised at differing levels, dependent upon an employee's position and selection of

benefit type. Participation in the group's funeral policy and provident fund is compulsory. Membership of a medical aid fund at this stage is not compulsory for permanent employees.

During the reporting period, the group launched a number of lifestyle benefits including medical, death and disability benefit offerings to its large contractor base. The uptake has been positive and further benefits, particularly those that include the family members of our contractors, is currently being developed by the group's Essential Employee Benefits division and will be rolled out on a national basis.

Share Appreciation Rights Scheme

During the reporting period, the group's 2012 allocated share appreciation rights vested providing those employees who participated with attractive share appreciation returns. In addition, the group's remuneration committee also approved the issue of a fourth tranche of shares to selected executive directors, subsidiary directors and top performing managers and employees who were eligible to participate.

The objective of the Workforce Share Appreciation Rights Scheme is to:

- Reward and retain our top talent;
- attract the best talent to work for us;
- create medium to long-term wealth for top performing employees; and
- enable ownership of our company by our employees by linking individual performance to the financial performance of the company – the better the company performs the greater the financial reward for participants.

Employment equity

The group has timeously completed and submitted the necessary progress reports in terms of the EEA requirements.

A major challenge for the group remains the attraction, development and retention of senior black managers. Workforce has excellent black representation across junior and middle management levels, providing a pool of advancement candidates. In the short to medium term, we are looking to develop talent across the "experience" gap so that these managers can compete more effectively for senior positions as they arise. Our low turnover of senior managers compounds the challenge.

During the first quarter of 2017 an employment equity manager was appointed to give added focus to the achievement of our employment equity targets and transformation goals in this regard.

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

Human capital *(continued)*

and is applicable to all the operating subsidiaries and divisions of the group and not only aims to achieve equitable representation across all levels, but also to eliminate unfair discrimination and promote equal opportunities within the workplace for all our employees. Since the introduction of the revised recruitment policy during the second quarter of the year, we have already seen improved results stemming from the policy guidelines which requires preference be given to promoting from within the group before recruiting externally. Achievement of employment equity targets has now been included in the key performance indicators (“KPIs”) of subsidiary and divisional managers.

Labour practices, decent work

Workforce is a responsible employer and proactively meets its legislative and regulatory obligations. To this end, Workforce ensures compliance with the relevant labour legislation, including but not limited to, the LRA, Basic Conditions of Employment Act (Act 75 of 1997), Employment Services Act 2014 (Act 4 of 2014), EEA, Skills Development Act 1998 (Act 97 of 1998), B-BBEE, Unemployment Insurance Act (Act 63 of 2001), and Occupational Health and Safety Act (Act 85 of 1993 (“OHSA”).

During the reporting period, there were no fines for non-compliance with laws and regulations.

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 its 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.

Human rights

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 and the LRA, 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.

Employment equity statistics for the year ended 31 December 2016

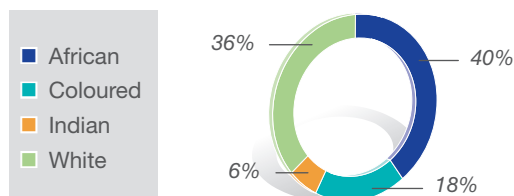
	Male							
	2015 A	2016 A	2015 C	2016 C	2015 I	2016 I	2015 W	2016 W
Occupational Levels								
Senior Top management	0		0		0		5	5
Top management	1	0	0	0	1	2	8	15
Senior management	0	2	1	1	5	4	23	24
Professionally qualified and experienced specialists and mid-management	10	8	2	4	13	13	44	39
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	56	63	33	31	27	12	57	65
Semi-skilled and discretionary decision making	66	61	19	18	7	0	6	11
Unskilled and defined decision making	3	1	0	0	0	0	0	0
Total permanent	136	135	55	54	53	31	142	159
Temporary employees	17 818	19 171	2 797	2 657	340	336	266	483
Grand total	17 954	19 306	2 852	2 711	393	367	408	642

Permanent staff

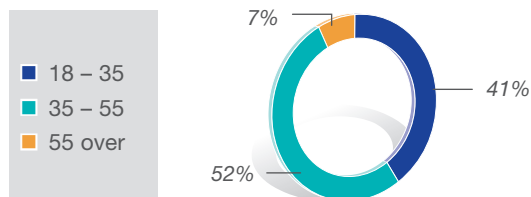
► By gender



► By demographics



► By age

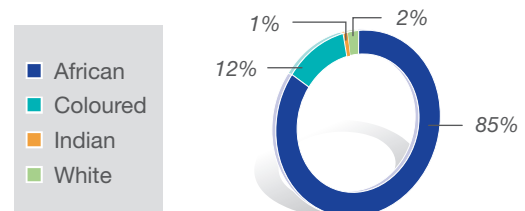


Temporary staff

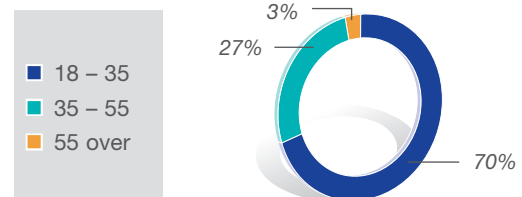
► By gender



► By demographics



► By age



2015 A	Female							Foreign Nationals									
	2016 A	2015 C	2016 C	2015 I	2016 I	2015 W	2016 W	2015 Male	2016 Male	2015 Female	2016 Female	Total 2015	Black	% of total	Total 2016	Black	% of total
	1	0		0	1	0		0		0		5	0	0	7	2	29
2	2	1	2	1	1	8	11	0	1	0	0	22	6	27	34	7	21
0	1	7	6	1	2	24	22	0	10	0	0	61	14	23	72	16	22
14	37	20	15	4	2	43	43	1	25	0	1	151	63	42	187	79	42
75	93	49	63	19	21	88	101	2	61	1	3	407	259	64	513	283	55
96	119	60	52	16	8	44	46	2	26	1	2	317	264	83	343	258	75
26	27	1	1	0	0	0	0	0	0	0	1	30	30	100	30	29	97
213	280	138	139	41	35	207	223	5	123	2	7	993	636	64	1186	674	57
8 827	7 887	1 790	1 449	90	74	100	164	66	61	99	22	32 406	31 875	98	32 304	31 574	98
9 040	8 167	1 928	1 588	131	109	307	387	71	184	101	29	24 145	23 258	96	33 490	32 248	96

Human capital *(continued)*

Training and skills development

The group recognises the importance of ongoing training and development of its employees, particularly those from historically disadvantaged backgrounds. Our skills development strategy for 2016 concentrated on achieving the following:

- Increasing the number of learnership and artisan interventions to both our employed staff and to unemployed youth;
- continue with our intern programmes and to encourage conversion to permanent placement at the end of the intern period;
- to ramp up our development programme for identified employees; and
- to identify and implement training programmes for people with disabilities in our group.

Training for permanent staff

During the review period we focused on ensuring that a considerable amount of in-house product and operational training courses were run for employees of our businesses. In addition to the requirement for all new employees to attend induction training, much training took place on the group's bespoke in-house systems, including cross-training on various integrated systems as it is an important component of our business model and directly affects operational efficiency and performance.

Alignment with labour legislation amendments continues to be a focal point within the group and necessitated the requirement for training and re-training on the procedures and processes within the group's staffing companies.

Workforce Holdings, under the direction of the chief executive officer, held an executive management day focusing on leadership and the development of our 70 executives present. Training on the amended B-BBEE codes was also provided as well presentations made on the nature and strategy of the various businesses within our group.

Training Force conducted cross-training for their contract and permanent trainers in order to broaden the scope of the trainer's portfolios of training courses they can conduct.

Workforce Healthcare started a programme to upskill its matriculants in specific areas of specialisation with the aim of bringing them on board as junior administration clerks and growing them within the business. This included training on spirometry and audiometry.

In addition to the above in-house training, the services of external accredited training providers was procured to provide training to selected employees within specific areas of specialisation.

Twenty-seven permanent employees were identified to participate on a management learnership programme which started during the last quarter of 2013.

Learnerships

Learnerships for our contractors

Many of 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 opportunity enables a contractor to formalise and upskill in the work they are typically already doing by acquiring a qualification from a recognised SETA. We will continue to upskill our contract workers on several different learnership programmes during 2017.

During the reporting period, 666 Workforce Staffing contractors trained and participated in learnerships. One hundred and seventeen learners were registered for the production technology NQF2 qualification and we are expecting them to exit during the first quarter of 2017. The workers who registered for the NQF2 qualification had successfully exited from the NQF1 qualification the previous year. This is particularly exciting for us as the progression of learners from one qualification to another encourages continuous learning, improves the skills and employability of the learner and improves confidence in the learners. The learners are always extremely proud to receive their certificates from the SETA. During 2016 we also expanded the range of learnerships being offered for our contract workers by including a wholesale and retail qualification. We also look forward to successful exits in this qualification in 2017.

Learnerships for unemployed

In 2016 we continued to partner with prominent call centres to host unemployed learners on call centre NQF2 learnership programmes. These call centres act as host employers for the duration of the learnership, affording learners the opportunity to gain valuable work experience. On completion of the learnership, the host employer is given the opportunity to employ the learner on a permanent basis. Our conversion rate from unemployed learners to permanent employee has been very successful.

The call centre learnership that we started in June 2015 was successfully completed at the end of May 2016. Of these learners 94 have exited with a full qualification and a further 45 will exit with a statement of results. A further 511 learners participated in the same call centre learnership in 2016. We expect 95 learners to successfully exit with the full qualification in the first quarter of 2017 and the balance to exit later in the year.

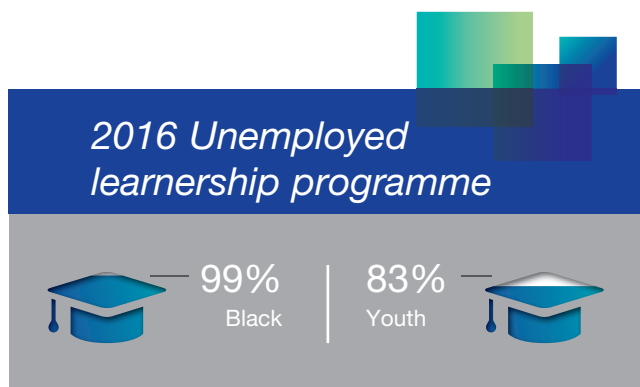
A total of 159 unemployed disabled learners started a business practice NQF1 learnership in 2015. The learnership was completed in October 2016 and we are awaiting final external moderation from the Services SETA. The learners gained valuable workplace experience during the learnership which assisted many of them to find employment opportunities. The new venture creation learnership (NQF2) was also

completed in 2016 with 10 of these learners exiting with a full qualification.

We currently have two artisan programmes taking place at the Training Force trade school in Klerksdorp with the artisans all registered for the bricklaying trade. Eighty-eight learners are currently in their 2nd year of the three-year apprenticeship programme, while a further 66 learners started their first year in the last quarter of 2016.

A further 115 learners are currently on a Business Practice NQF1 and Business Administration NQF3 learnership. Thirty-seven of these learners are people with disabilities. These learnerships will also be completed in 2017.

A demographic analysis of our 2016 unemployed learnership programme showed that 99% of the learners were “Black” (encompassing African, Coloured and Indian) – while 83% of the learners were under the age of 35, thus falling within the definition of “youth”.



In 2017 we will continue to offer learnerships to unemployed youth across a number of different learnership qualifications.

Training of unemployed youth has many benefits to all stakeholders. 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.

Internship programme

During this reporting period, 119 interns completed their internship with Workforce. Many of these learners found permanent employment within the Workforce Group and/or at one of our clients. Another intake of 71 interns started their intern programme during the last quarter of 2016.

Health and safety

Workforce Holdings and all its trading subsidiaries and divisions are committed to compliance with the OHSA, as amended, and in so doing ensuring the health and safety of all our employees. We want all our employees to regard safe work practices and the prevention of accidents and occupational illness as a collective and individual responsibility. Our management across all our trading entities 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.

During the reporting period the group's health and safety policy was reviewed and found to be applicable to its business.

The group also reviewed the composition of its health and safety committees and reporting structures. Areas of improvement were identified, specifically in respect of sub-committees and the appointment of representatives across all the group companies including its national footprint and this is in the process of being addressed.

Relationship capital

Relationship capital is defined as the institutions and the relationships within and between communities, groups of stakeholders and other networks, and the ability to share information to enhance individual and collective well-being.

At Workforce our stakeholders include our shareholders; funders; clients; employees; contractors; unemployed and unskilled individuals; learners; interns; suppliers; unions; government, regulators; and all the local communities in which we operate. It also encompasses our relationship with the environment and the impact of our business on renewable and non-renewable environmental resources. To be a truly sustainable organisation we must continually look internally and externally to remain abreast of our operating landscape and consider the impact our business has on all our stakeholder groups.

HIGHLIGHTS

- Establishment of Qunu Workforce and enterprise development initiative.
- 76 445 people provided with employment during 2016.
- 1 382 learnerships and internships offered to unemployed.
- 21 595 youth employed.
- 312 people with disabilities trained.
- Empowerment through skills development.

MATERIAL ISSUES

- Job creation.
- Youth employment.
- Training and skills development.
- Skills transfer through learnerships and internships.
- Socio-economic development.
- Stakeholder engagement.

CHALLENGES

- QSE and EME supplier procurement.
- Transformation.
- Socio-economic development.
- Environmental impact measurement.

Our approach to stakeholder engagement

We adopt an inclusive approach to stakeholder engagement as it provides us with opportunities to gain insights, further align our business practices with societal needs and expectations, and helps us to drive long-term sustainability and shareholder value. Our stakeholders are defined as individuals or groups who affect or are affected by our organisation and its activities.





Fostering and maintaining sound relationships with our stakeholders through mutually beneficial and transparent engagement is of paramount importance as 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 strategies, general conduct and responsibilities towards our stakeholders is underpinned and guided by a set of core





values together with our code of ethics and conduct. These are the drivers that make sure that we deliver shared value to a wide group of stakeholders. Fortunately, the group finds itself in the privileged position where many of the drivers of our commercial success also contribute to and support a broader socio-economic sustainability.

Our performance

While we have always been committed to timely, consistent and transparent communication with our stakeholders, we also understand the need to continually be open to areas of improvement or areas where we can expand our engagement to encompass a wider level of participation and involvement from a particular stakeholder group. We engaged the following stakeholder groups during the reporting period:

Stakeholder group	Key issues raised	Our response thereto
 Shareholders and providers of capital	Business sustainability, access to funding; share liquidity; ROI; diversification of shares.	Operate with the optimal capital structure; review debt facility; investor presentations and road show, strategy execution; risk management.
 Clients and prospective clients	Flexible service solutions; regulatory compliance, employment equity compliance; employee benefits; skills availability, training, productivity management; cost management; DSO, broad-based black economic empowerment rating.	Product and service innovation, services integration; customer service; employee benefits; labour law education, business consulting, training, learnership hosting; cost management; re-constituted transformation committee with sub-committees; radical disability solutions; risk management.
 Employees and contractors	LRA amendments; equitable benefits; job security; remuneration, reward and recognition structures, training, skills development, transformation; job continuity; lifestyle benefits; inter-company collaboration.	Ongoing LRA amendment training for sales and operational staff; re-constituted transformation committee and strategy, HR policies and procedures; job description standardisation linked to job grading and performance appraisal structures; employment benefits; internal triple C's strategy focused on communication, collaboration and cross-selling.
 Unions	Job security; employment conditions; equitable remuneration structures and benefits.	EBB product range; meetings; compliant employment contracts and operating practices; youth employment; training and skills development; broad-based black economic empowerment. Active membership of industry bodies.

Relationship capital *(continued)*

Stakeholder group		Key issues raised	Our response thereto
	Local communities	Employment and job creation, youth employment; training and skills development; community support (CSI).	Focus on youth employment; recruitment drives to source staff from local communities; learnership and internship programmes for unemployed; training and skills development; community support through CSI initiatives.
	Government and regulators	Industry regulation; youth employment; skills development; broad-based black economic empowerment; labour practices; bargaining councils.	Direct involvement and active participation at CAPES, Nedlac and BUSA; systems and process review; legislative and regulatory compliance; transformation and broad-based black economic empowerment; risk management.
	Suppliers	Preferential supplier listing; products and pricing, empowered suppliers; enterprise development.	Product availability; preferential supplier agreements, empowered supplier status; transformation strategy; enterprise development negotiations.
	Media	Results announcements, media statements, editorials, advertisements, meetings.	Investor relations, public relations, communications and marketing strategy. Employment of qualified resources.

Management of ethics and anti-corruption

The group's policy on fraud, theft, corruption and associated internal irregularities, our code of business conduct, and the whistleblowing and whistleblower protection policy, support and clarify the group's commitment to business ethics and anti-corruption. These policies also facilitate the 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 Nations Global Compact Business Principles, and Organisation for Economic Cooperation and Development ("OECD") recommendations regarding corruption.

Our code of business conduct defines what we stand for as an organisation and what we do not stand for. Integrity is rated as one of our foremost values and positioned at the heart of everything we do. By promoting integrity as a core value it helps us to align our actions with our words and deliver what we promise. It also means we are honest, ethical and upfront because that is the foundation upon which we build our relationships with our customers, our communities, our stakeholders and each other.

The group's chief executive officer, Philip Froom, who was appointed towards the end of the reporting period, has at the onset of his tenure highlighted the importance of ethics and value-driven conduct. He attends all induction programmes to ensure first-line communication of the group's ethos to our staff

by positioning our values and code of business conduct at the centre of our approach to business.

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.

Maintaining an atmosphere of mutual workplace respect and proper business conduct is vital to the integrity and success of the group, and maintaining effective policies is an important step towards this end.

The following policies were reviewed during the reporting period and found to be applicable without requiring any amendments:

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

We endorse an open and ethical workplace and promote a culture of reporting wrongdoing throughout all our operating subsidiaries and divisions and we adopt a zero tolerance towards inappropriate conduct.

While the group's internal controls and operating procedures are intended to detect and prevent improper conduct, the making of disclosures that reveal improper conduct or mismanagement of any of the group's business areas or resources is encouraged.

To this end, our whistleblower campaign continues to act as one of the components of our risk management framework. Permanent staff, contractors and our other stakeholders are encouraged to use this confidential disclosure medium through regular awareness communication elements including email footers, posters, etc. Our campaign also includes a whistleblower hotline which is independently operated by Whistle Blowers Proprietary Limited, who are also appointed to receive all reporting and confidential disclosures.

During the reporting period there were seven disclosures received via the whistleblower's hotline, one of which was finalised through the group's internal disciplinary procedure and the remaining six were investigated and found to be false allegations and unsubstantiated.

Protection of personal information

In accordance with the Protection of Personal Information Act (Act 4 of 2013) ("POPI"), Workforce Holdings and all its trading subsidiaries are compliant and committed to protecting our clients' privacy and ensuring that their personal information is used appropriately, transparently, securely and in accordance with the Act. During the reporting period a working committee was established to address and understand the implications of the POPI and prepare for its implementation.

No complaints related to breach of privacy and loss of customer data were received or reported during the year.

Socio-economic development

We make a meaningful and sustainable difference in people's lives

Many 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 capability as a diversified and integrated provider of people solutions underpins our ability to integrate staff provision, training and skills development, resulting 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.

Youth employment

So many young South Africans are excluded from economic activity, and as a result suffer disproportionately from unemployment, discouragement and economic marginalisation. High youth unemployment means young people are not gaining the skills or experience needed to drive the economy forward. This lack of skills and experience can easily become an impediment to employment, thereby having long-term adverse effects on the individual and the economy.

We play an important role in youth development and job creation, particularly at grass-roots level, where first-time job seekers use temporary assignments as an entry into the job market and improve their employability as a result of the on-the-job training and skills development provided.

During the reporting period, we employed over 21 500 young people aged between 18 and 35 per month, 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.

Transformation

Workforce remains focused on achieving its transformation goals and objectives. During the reporting period, the transformation committee, established during the last reporting period, was re-energised with the appointment of an experienced transformation manager tasked with the responsibility 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. Sub-committees to support the transformation committee were also established for corporate social investment and employment equity.



Broad-Based Black Economic Empowerment

Our B-BBEE objectives, outlined in our previous integrated report continue to be focus areas of the transformation committee and its sub-committees. The focus areas and our performance is outlined below:

- To retain and/or improve on our current level three broad-based black economic empowerment rating.

The group retained its level three B-BBEE rating for 2016, assessed on the old codes. We do not expect to retain this level for the next rating in 2017, as we will be assessed according to the amended codes of good practice, which are challenging, not just for our own company but for all large organisations.

Notwithstanding the challenges the amended codes of good practices pose to achieving an improved scorecard rating, we will continue to strive to improve our broad-based black economic empowerment rating. The group is currently

Relationship capital *(continued)*

reviewing its shareholding as the new codes place much more emphasis on black shareholding. We are trying to create a balance across all pillars, considering the general objectives of transformation, as well as adherence to our broad-based black economic empowerment targets.

- To achieve “empowering supplier” status to ensure we continue to add value to our client base.

The empowering supplier status has been challenging for rating agencies to evidence and for this reason the Department of Trade and Industry has withdrawn the Empowering Supplier status criteria until further notice. This means that all companies that get a valid broad-based black economic empowerment scorecard will, for now, automatically be an empowering supplier.

- To balance the attraction and retention of top talent at all levels with the national economically active population (“EAP”) targets and employment equity targets.

The group’s performance in respect of achieving its employment equity targets highlighted areas for improvements and the requirement for the following interventions. The introduction of a revised recruitment policy, more stringent deviation reporting and accountability processes, defined employment equity targets established as part of executive and senior management KPAs, and the appointment of a dedicated employment equity manager tasked with the responsibility to drive and manage our employment equity strategy.

Another focus area of the group’s human resources department has been on job grading within the various subsidiaries of the group to identify and eliminate any and all discrepancies as part of our process to address the issue of “equal work, for equal pay”.

- To ensure that skills development and skills transfer take place across all levels and that developmental initiatives tie in with our employment equity plan.

This is another area where the group has identified the need to introduce greater formalisation and better tracking mechanisms, particularly for the development of permanent employees from designated groups.

- To promote growth and sustainability through recognition and support of our black owned black female owned and exempted micro enterprise (“EME”) suppliers.

We are in the process of analysing our supplier database to identify which of our suppliers are defined as EMEs and Qualifying Small Enterprises (“QSEs”) and black women-

owned businesses. Once this project is finalised, we will be able to encourage our subsidiaries and divisions to procure their products and services from a list of preferred suppliers, in order that their procurement spend contributes positively to our B-BBEE objectives.

- To roll out our enterprise development initiatives involving selected black-owned businesses that are aligned to our core business.

The group’s enterprise development programme is structured to provide for investment, mentoring, skills transfer and assistance for black-owned businesses that are aligned to our core business. During the first quarter of 2016, Workforce concluded an enterprise development agreement with a black women-owned business which resulted in the establishment of Qunu Workforce. We envisage that this partnership will not only contribute to our overall broad-based black economic empowerment scorecard goals and targets, but will also add value to our existing business model particularly in terms of Qunu Workforce’s radical disability solutions offering. Further information on the establishment of Qunu Workforce is outlined in the chief executive officer’s review on page 17.

- To focus our social responsibility initiatives on the upliftment and assistance of the local communities in which we operate.

The group’s corporate social investment activities continued to focus on historically disadvantaged individuals through job creation and a wide range of training and skills development initiatives offered by the group. Our performance during the reporting period is described under the heading “external learnerships and internships facilitated for the unemployed”.

A formal corporate social investment committee, which is a sub-committee of the transformation committee, has been established to increase our support and focus on providing community support and poverty alleviation to the communities in which our staff reside.

Learnerships and internships facilitated for the unemployed

An important component of the group’s transformation programme, centres on hosting and facilitating learnerships and internships for unemployed individuals and is congruent with government’s integrated skills development programme which focuses on integrating education and training to promote growth in employment, social development and the economy in general.

Internal learnership programme for unemployed individuals:

	Male				Female				Total	Completed
	A	C	I	W	A	C	I	W		
Completed										
New venture creation January – October 2016	3	0	0	0	15	0	0	0	18	10
Call centre January – October 2016	52	1	0	0	149	2	0	0	204	16
Business practice January – October 2016 (159 disabled)	47	22	1	1	70	15	0	3	159	103
Call centre January – June 2016	43	4	2	0	150	13	6	0	218	114
Current										
Bricklayers (2nd year)	44	0	0	0	48	0	0	0	92	0
Bricklayers (1st year) (3 disabled)	48	0	0	0	18	0	0	0	66	0
Business practice October – December 2016 (8 disabled)	12	13	0	2	32	12	0	1	72	0
Business admin September – December 2016 (2 disabled)	18	3	0	0	30	4	0	1	56	0
Call centre 3	142	4	3	0	154	4	0	0	307	0
Interns completed										
Nated interns (finished May 2016)	10	0	1	0	34	0	0	0	45	35
Workplace experience interns (finished June 2016)	24	0	1	0	48	0	1	0	74	50
Interns current										
Interns (started September 2016)	22	0	0	0	48	0	1	0	71	0

Our supply chain

The group has 2 769 suppliers from whom we procure the products and services we require for our day-to-day business operations throughout the country. In line with our transformation strategy we are currently in the process of rolling out our preferential procurement plan, which not only aims to improve our broad-based black economic empowerment scorecard, but also to give effect to the pillars of our transformation strategy. This includes introducing supplier development initiatives that provide opportunities for black-owned and black women-owned businesses, including EME and QSE businesses, to benefit from our procurement spend.

During the reporting period the group procured the services of 55 independently operated taxi service providers to assist us in transporting our contractors to site, thereby providing economic opportunities for entrepreneurs and small businesses within the communities in which we operate.

Environmental performance

The group's efforts around environmental sustainability continue 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 environmental impact. The following are our priority steps:

- Establish and implement data collection processes;
- establish defined improvement targets; and
- establish plans to achieve targets.

Our performance during the reporting period

Energy efficiency: Workforce's biggest natural resource input is coal-based electricity sourced from Eskom. Significant savings have been achieved 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 have been replaced with shared energy-efficient multi-functional devices.

Relationship capital *(continued)*

Procurement: The group's centralised procurement department embarked on an extensive exercise to scrutinise and evaluate the group's procurement processes. A number of actions introduced during the year resulted in costs savings, procurement of environmentally friendly products where possible, and an evaluation and review of our supplier database with specific emphasis on introducing preferential procurement structures to align our procurement spend with the new B-BBEE codes. The next phase of this initiative will be to incorporate environmental measurement indicators and measurement thereof.

Decreasing paper usage: By raising awareness, the response throughout the group has been impressive, especially in respect of reducing paper usage by printing less, and where possible, double-sided printing. The use of technology has reduced in-system paper utilisation, specifically reducing the need to print *curriculum vitae* received and distributing

electronic payslips to our staff. company notices, newsflashes and monthly newsletters are communicated electronically to our staff, clients and other stakeholders.

During the next reporting period, electronic payslips will start to be introduced to the group's large contractor base, thereby reducing the need to print thousands of payslips on a weekly basis.

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 the next reporting period, data collection processes will be put in place to measure our paper usage and recycling efforts.

Value-added statement

as at 31 December 2016

	2016		2015	
Value added during the year	R'000	%	R'000	%
Revenue	2 523 405		1 949 771	
Other operating income	(224)		917	
Cost of sales and other services	(90 258)		(41 326)	
Value added from operations	2 432 923		1 909 362	
Interest received	711		297	
Wealth created	2 433 634		1 909 659	
Distributions during the year				
Employees and contractors	1 905 402	78	1 506 110	79
Suppliers	215 150	9	172 971	9
Providers of capital	29 957	1	17 250	1
Government	191 521	8	136 543	7
– SA normal income tax	1 444		171	
– Employee taxes, skills development and other levies	190 077		136 372	
Reinvested in the group	91 604	4	76 785	4
Wealth distribution	2 433 634	100	1 909 659	100

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Governance

4



Lerato Mogapi Project manager (Training Force)

Lerato (35) lives in Soweto and is mother to a 10-year-old son. She started her career at Workforce eight years ago as a business administration intern.

”

In 2009, I was a young mother, unemployed for five months and looking for a job opportunity. Workforce group was offering an internship in business administration at the time. When I started working as an intern, I was so nervous, I actually didn't even know how to use a mouse! Today I present statistics reports to top management. My internship was meant to be six months in total but in my fourth month I was offered a permanent position as a special projects administrator. One year later I was promoted to special projects manager and then, in 2014, I became operations manager. The following year I was asked to be project manager for Training Force. It feels great to have

achieved so much but I know I couldn't have done it without Workforce and especially my mentors Rita Du Chenne and Dawn Halsey. Rita and Dawn helped me find my voice. I thank them for seeing something in me that I didn't even see in myself. Dawn was and still is a mother figure to me. I always get recognition from Workforce and positive feedback from my mentors. This means so much to me because getting a "thank you" makes such a big difference. Completing the business administration internship with Workforce was life-changing for me. I'm a big fan of Dolly Parton and as she sings, "Yesterday is gone but tomorrow is forever".

Board of directors

Executive directors



Willie van Wyk (45)

Ronny Katz (74)

Phillip Froom (41)

Financial director

BCompt (Hons), CA(SA)

Executive chairman

BCom, LLB, MBA

Chief executive officer

BCom (with distinction),
BCom Honours (Taxation),
CA (SA), CFA

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 a director of Workforce Holdings Limited in June 2008.

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 formed Workforce and has developed the group since then. Ronny was appointed chairman of Workforce Holdings Limited in October 2006.

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.

Non-executive directors



John Macey (55)

Mark Anderson (57)

Kyansambo Vundla (38)

Shelley Thomas (50)

Independent
non-executive director

BBusSci (Hons),
BCom (Hons), CA(SA)

Non-executive director

BCom (Hons), CA(SA)

Independent
non-executive director

BCom (Accounting),
HDip Acc, CA(SA)

Independent
non-executive director

CA(SA), Registered Auditor

John completed his articles at Deloitte & Touche in 1990. He has 25 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.

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.

Kyansambo has 15 years of experience in finance and financial management. She completed her articles at BDO Spencer Steward and has been a CFO in the financial services industry for the last nine years. Kyansambo is currently the CFO for the Africa and Asia division of MMI Holdings. 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 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.

Corporate governance report

The board of directors of Workforce Holdings Limited (“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 the group’s public accountability and its commitment to conduct its business within ethical standards and outcomes-based strategic objectives. The company has implemented controls to provide reasonable assurance of its compliance with the King III Report on Corporate Governance for South Africa, 2009 (“King III”) insofar as they are applicable.

Of particular relevance during the year was the launch of the King IV Report on Corporate Governance for South Africa, 2016 (“King IV”) on 1 November 2016, which becomes effective from 1 April 2017. As an indication of its commitment to good corporate governance practice, the group has commenced addressing gaps identified through a King IV analysis. The board will include its first full King IV report in its 2017 integrated annual report.

The board has acquainted itself with the extent to which the company complies with the Listings Requirements of the JSE Limited (“the JSE Listings Requirements”) and King III. Where there are instances of non- or partial compliance, it is because the group has elected not to apply certain recommendations of King III for specific reasons. A detailed summary of the application of the King III principles are listed on the company’s website www.workforce.co.za.

Ethical leadership and corporate citizenship

The group is committed to achieving its goals with integrity, high ethical standards and in compliance with all applicable laws. The board has adopted a code of ethics and business

conduct which is continuously reviewed, and is in the process of being updated in light of the recent recommendations made by King IV. The directors are fully committed to these principles, which ensure that the business is managed according to the highest standards within its operating environment, as well as social, political and physical environment within which the group operates.

No material ethical leadership and corporate citizenship deficiencies were noted. The board, through the audit and risk committee as well as social and ethics committee, monitors compliance with Workforce’s code of ethics and business conduct through various reporting channels including its internal audit department and the whistle-blower hotline.

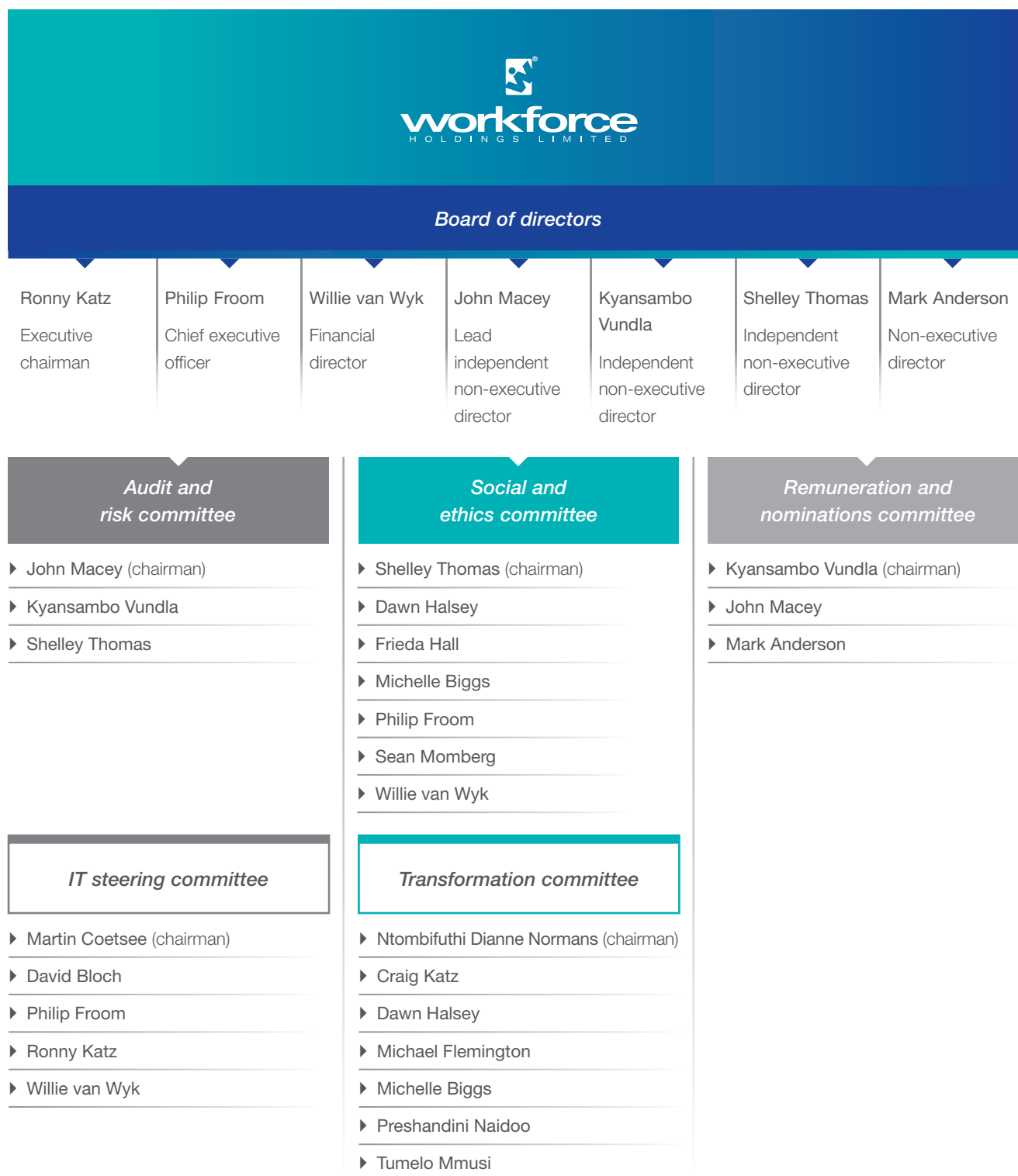
Workforce did not receive any requests during the financial year in terms of the Promotion of Access to Information Act, 2000 (Act 2 of 2000). During the financial year, Workforce complied in all material aspects with all relevant legislation and was not subject to any material penalties, fines or criminal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

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 subcommittee structure with the intention of supporting the board in the execution of its duties. The board has delegated specific authority to each subcommittee, 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.

Formal board meetings are held twice a year at three 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).

Corporate governance structure



Corporate governance report *(continued)*

Board and directors

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.

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 monitors 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.

A clear division of responsibilities between the directors is maintained to ensure that no single director has unfettered decision-making powers.

Board composition and independence

As at 31 December 2016, the board consisted of three independent non-executive directors, one non-executive director and three executive directors. The board's composition is in line and in accordance with the principles of King III. 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.

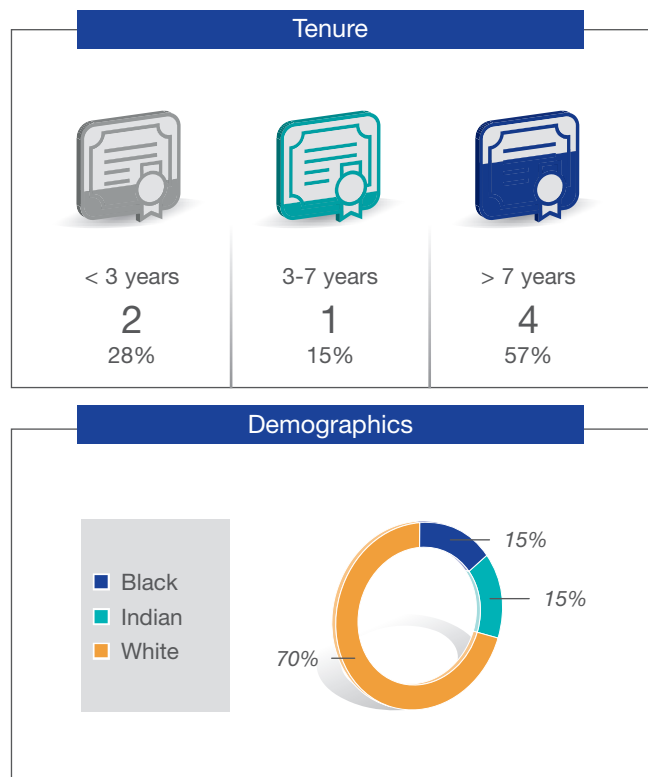
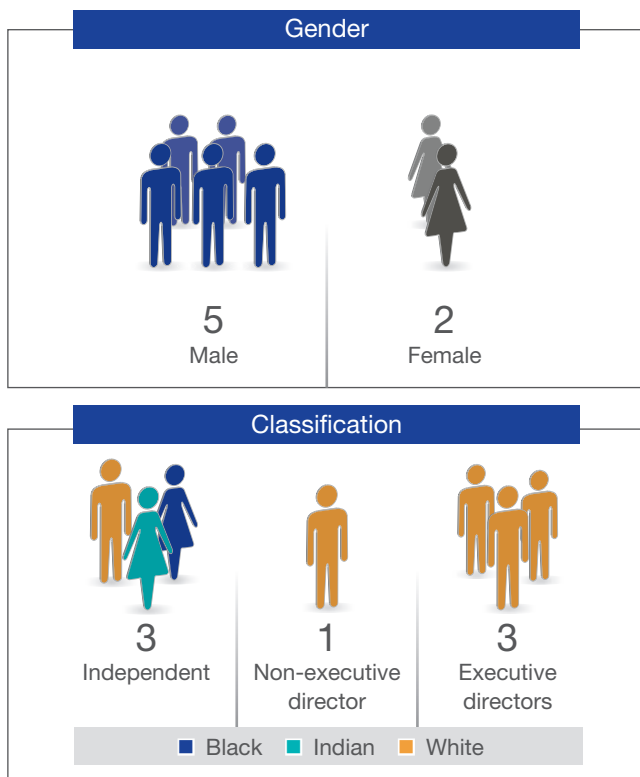
During December 2015, following the resignation of Lawrence Diamond, Ronny Katz stepped in as interim chief executive officer and John Macey as interim chairman. Philip Froom was appointed as chief executive officer on 15 August 2016 and Ronny Katz took office again as executive chairman. John Macey stepped down as chairman and returned to his position as lead independent director. Lulu Letlape resigned as independent non-executive director on 31 May 2016 and Shelley Thomas was appointed on 5 December 2016.

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, has been delegated to the remuneration and nomination committee.

Apart from a candidate's experience, availability and likely fit, the committee also considers a 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. Shelley Thomas, a female, was appointed, taking into consideration the gender diversity of the board.

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, offer him/herself for election at the next annual general meeting. Philip Froom and Shelley Thomas' appointments will be affirmed at the annual general meeting held in May 2017.

In terms of King III and 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 2017 annual general meeting, John Macey and Mark Anderson will retire and be eligible for re-election.

New appointments are appropriately familiarised with the group's business. The composition of the board is reviewed on a regular basis to ensure ongoing compliance with the requirements set out in the Companies Act and King III. As previously stated, the requirements in terms of King IV are currently being reviewed.

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, and the executive team, were discussed and agreed 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.

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. At the beginning of the year, Ronny Katz was appointed as interim chief executive officer and John Macey, who was the lead independent director, stepped into the position of independent chairman. Philip Froom was appointed as chief executive officer on 15 August 2016 and Ronny Katz

again stepped into the position of executive chairman and John Macey as lead independent director.

The role of chief executive officer and chairman are separate. Ronny Katz is the executive chairman and his role is separate from that of the chief executive officer, Philip Froom. The chairman provides overall leadership to the board and the chief executive officer without limiting the principle of collective responsibility for board decisions.

Non-executive directors

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.

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.

Board processes

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 three times during the reporting period. Ad hoc board meetings are held as and when required to plan and review strategy, financial performance, resources, operations, risk, capital expenditure, reporting and compliance matters, standards of conduct, transformation, diversity, employment equity, human resources and environmental management.

Corporate governance report *(continued)*

Board composition, responsibilities, focus and meeting attendance

Summarised roles and responsibilities

- Governing the group on behalf of its shareholders;
- responsible for strategy and strategic decision-making, and execution thereof;
- 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; and
- managing the group's risk profile;

Note: The board charter is available on request.

Focus during the year:

- Identify acquisition opportunities.

Looking ahead:

- Implementation of King IV;
- integrated reporting;
- subsidiary governance structures; and
- transformation.

Board members as at 31 December 2016	Meeting attendance
Independent non-executive directors	
John Macey	3/3
Kyansambo Vundla	3/3
Lulu Letlape*	0/1
Shelley Thomas**	0/0
Non-executive director	
Mark Anderson	3/3
Executive directors	
Ronny Katz	3/3
Willie van Wyk	3/3
Philip Froom***	2/2
Designated advisor	
Marcel Goncalves	3/3
Company secretary	
Sirkien van Schalkwyk	3/3

* Resigned 31 May 2016.

** Appointed 5 December 2016.

*** Appointed 15 August 2016.

Board committees

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. The terms of reference are subject to change as and when required by the board in order to accommodate the company's changing needs. The terms of references are in the process of being updated to align with the requirements of King IV. 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.

Refer to pages 68 to 71 of the annual financial statements for the audit and risk committee report.

The audit and risk committee meets at least twice a year and more if necessary. The committee roles and responsibilities, as well as its composition, are set out below.

Summarised roles and responsibilities

- 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, and the integrated annual report;
- 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; and
- overseeing the group's risk management profile.

Focus during the year:

- Internal and external audit matters;
- review the new requirement of the external audit report;
- enterprise risk management; and
- financial and integrated reporting.

Looking ahead:

- Enterprise risk management;
- internal controls;
- combined assurance;
- finance and integrated reporting;
- financial sustainability; and
- implementation of King IV.

As at 31 December 2016	Meeting attendance
Independent members	
John Macey (chairman)	3/3
Kyansambo Vundla	3/3
Lulu Letlape*	0/1
Shelley Thomas**	0/0
Company secretary	
Sirkien van Schalkwyk	3/3

* Resigned 31 May 2016.

** Appointed 5 December 2016.

IT steering committee

The IT steering committee governs information technology ("IT") responsibilities as recommended by King III. The terms of reference are in the process of being updated to align with the requirements of King IV.

This committee meets formally at least twice a year to report on their 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. A group IT executive was appointed on 12 January 2017 to strengthen IT leadership within the group. Martin Coetsee also takes up the role of chief information officer and will provide feedback to the audit and risk committee.

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 executive

Corporate governance report *(continued)*

chairman, the financial director and a non-executive member, David Bloch, being members of the committee. This was to ensure that the committee focuses on strategic IT matters.

Management has developed various plans including, *inter alia*, security and back-up policies. The IT infrastructure and applications, which provide support for the financial systems, is audited on an annual basis by the external auditors. The audit and risk committee is supported by business system managers, while the IT management team is responsible for evaluating the security of computer systems and applications, and for devising contingency plans for processing financial information in the event of system breakdowns.

Social and ethics committee

During the reporting period, Lulu Letlape resigned on 31 May 2016 and was replaced by Shelley Thomas on 5 December 2016 as independent chairman. The composition of the committee, which will be reviewed during the year to align with the recommendations of King IV, currently complies with the Companies Act and King III requirements.

The social and ethics committee meets at least twice a year and more if necessary. The committee roles and responsibilities as well as its composition are set out below.

Summarised roles and responsibilities

- Planning, implementing and monitoring the group's strategy for transformation;
- monitoring compliance with legislation;
- monitoring diversity, employment equity and fair labour practices;
- monitoring good corporate citizenship and the group's contribution to the development of communities;
- monitoring ethics and business conduct; and
- monitoring environmental sustainability.

Focus during the year:

- Sustainability;
- stakeholder engagement;
- social and economic development;
- transformation; and
- BEE scorecard.

Looking ahead:

- Supplier and enterprise development;
- transformation;
- gender diversity of full time employees;
- sustainability;
- corporate social investments; and
- implementation of King IV.

As at 31 December 2016	Meeting attendance
Members	
Shelley Thomas (chairman)**	
Dawn Halsey	1/1
Frieda Hall	0/0
Lulu Letlape*	2/2
Michelle Biggs	2/2
Philip Froom (chief executive officer)	2/2
Sean Momberg	1/1
Willie van Wyk (financial director)	2/2
Company secretary	
Sirkien van Schalkwyk	2/2

* Resigned 31 May 2016.

** Appointed as independent chairman on 5 December 2016.

Transformation committee

The transformation committee was re-established during the year and a transformation manager, Ntombifuthi Dianne Normans, was appointed in November 2016, specifically to oversee and implement transformation strategies within the group.

Ntombifuthi Dianne Normans was appointed as chairman and the members of the committee represent the specific B-BBEE pillars as well as other key operating functions. The committee meets at least four times a year, and reports to the board via the social and ethics committee.

The focus for the year was mainly to comply with the B-BBEE scorecard and the group currently has a level 3 B-BBEE rating, which is due for re-accreditation in July 2017. Much effort was put in by the transformation committee to retain the current rating. Strategies for transformation within the group are being finalised for implementation during the financial year.

Employment equity committee

Thulisile (Thuli) Ntanta was appointed as employment equity manager on 6 March 2017 in order to assist the board in ensuring that the company is in compliance with the EEA.

The committee will report to the board via the social and ethics committee, the composition of which is in compliance with the EEA.

Corporate social investment committee

A corporate social investment committee was re-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.

Remuneration and nominations committee

In reviewing the committee composition, it was agreed that the remuneration committee also oversee the nomination responsibilities, previously overseen directly by the board.

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.

Summarised roles and responsibilities of remuneration and nominations 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; and
- overseeing and monitoring the Workforce share appreciation rights scheme.

Focus during the year:

- Appointment of independent non-executive director(s);
- appointment of the chief executive officer; and
- remuneration packages.

Looking ahead:

- Implementation of King IV; and
- aligning bonus payments of staff to the same period.

As at 31 December 2016	Meeting attendance
Members	
Kyansambo Vundla (chairman)	3/3
John Macey	3/3
Mark Anderson	3/3
Company secretary	
Sirkien van Schalkwyk	3/3

Corporate governance report *(continued)*

Interests in contracts

During the year ended 31 December 2016, 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 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.

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. A price sensitive information group policy was adopted during the reporting period. 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.

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.

Evaluation of board performance

The company secretary conducted a self-evaluation exercise of the board's performance, mix of skills and individual contributions of directors, its achievements in terms of corporate governance and the effectiveness of its board committees. The board was found to have operated and functioned effectively during the period.

Accountability and audit

Auditing and accounting

The board is of the opinion that the auditors observe the highest level of business and professional ethics and that their independence is not in any way impaired. The group aims for efficient audit processes using its external auditors in combination with the internal audit function and management encourages unrestricted consultation between external and internal auditors. The co-operation of efforts involves periodic meetings to discuss matters of mutual interest, management letters and reports and a common understanding of audit techniques, methods and terminology.

Risk management

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 risks to the business encompass areas such as the world 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.

Internal financial controls

The directors are responsible for ensuring that internal control systems exist that provide reasonable assurance regarding the safeguarding of assets and the prevention of their unauthorised use or disposition, proper accounting records are maintained, and the financial and operational information used in the businesses is reliable.

Internal audit function

A new internal auditor, Kelvin Mooya, was appointed during the reporting period. 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.

Internal audit is an independent, objective assurance and consulting 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.

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, 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.

Relations with shareholders

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 media, 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.

Remuneration and nominations committee report

In reviewing the composition of the committee, it was agreed to combine the remuneration and nominations committee to one combined committee. Previously the board was responsible for nominations matters, but this will now be delegated to the committee with the board having ultimate responsibility for nomination matters.

The committee operates under formal terms of reference in terms of which it is required to meet at least twice a year in order to fulfil the functions assigned to it. The terms of reference was updated with the nomination responsibilities and is further in the process of being updated to align with King IV.

Appointment of directors to the board

Apart from a candidate's experience, availability and likely fit, the committee also considers a 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 was considered with the filling of the board vacancy with Shelley Thomas, an Indian female, being appointed to the board on 5 December 2016.

Remuneration and nomination committee members

The committee comprises three directors, being Kyansambo Vundla (chairman), Mark Anderson and John Macey, two of whom are independent non-executive directors. The executive chairman and chief executive officer attends the meetings by invitation.

This report, which describes how the committee has discharged its responsibilities in respect of the financial year ended 31 December 2016, will be presented to the shareholders at the annual general meeting to be held on 4 May 2017.

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

	10 Mar 2016	20 Jul 2016	28 Aug 2016
Kyansambo Vundla	✓	✓	✓
Mark Anderson	✓	✓	✓
John Macey	✓	✓	✓

Remuneration philosophy

Recognising that the group is operating in a competitive environment, the Workforce remuneration philosophy:

- Plays an integral part in supporting the implementation of Workforce's business strategies;

- motivates and reinforces individual and team performance; and
- is applied equitably, fairly and consistently in relation to job responsibility, gender, the employment market and personal performance.

Workforce's application of remuneration practices in all businesses and functions:

- Aims to be market competitive in specific labour markets in which people are employed;
- determines the value proposition of the various positions within job families or functions;
- ensures that performance management forms an integral part of remuneration, thereby influencing the remuneration components of base-pay and incentives; and
- applies good governance to remuneration practices within approved structures.

The alignment of these remuneration principles aims to meet the strategic objectives of:

- Attracting, retaining and motivating key and talented people;
- competing in the marketplace with the intention of being a preferred employer; and
- rewarding individual and business performance and encouraging superior performance.

The remuneration philosophy is based on the following key principles:

- Remuneration should support the group's strategies and be consistent with the organisation's culture of fairness and equity;
- remuneration directly correlates with the growth objectives and financial performance targets and actual achievements of the business of the group;
- remuneration should be reviewed and benchmarked regularly through independent external professional service providers to ensure that the group remains competitive in the diverse markets in which it operates, not applying percentiles rigidly but taking into account industry type, skills scarcity, performance, and legislative structure requirements;
- remuneration should be motivated and allow for differentiation to reward higher performers; and
- individual contribution based on the role and responsibilities should have a direct bearing on the levels of remuneration.

Remuneration mix

Workforce's remuneration structure comprises the following:

- Guaranteed packages;
- short-term incentives; and
- long-term incentives.

Guaranteed packages

Following established best market practice salaries are set with reference to the scope and nature of an individual's role and his or her performance and experience, comparable with pay levels

of South African companies to ensure sustainable performance and market competitiveness.

Short-term incentives

In addition to guaranteed packages, executive directors and members of senior management participate in a combination of a monthly and/or annual performance bonus scheme to reward the achievement of agreed group financial, strategic and personal performance objectives. These targets are determined by the remuneration and nominations committee and include measures of corporate performance.

Long-term incentives – Share Appreciation Rights Scheme

During the reporting period, the group's allocated share appreciation rights vested. Details thereof are disclosed in note 27. In addition, the group's remuneration committee approved the issue of a fourth tranche of shares to selected executive directors, subsidiary directors and top performing managers and employees who were eligible to participate.

Employee participation

The group will continue to have its operating decisions made at the appropriate levels of its diverse business. Participative management lies at the heart of this strategy, which relies on the building of employee partnerships at every level to foster mutual trust and to encourage people to always think about how they can do things better. The group strives to liberate the initiative and energies of its people, because they are the ones who make the difference to the performance of the group.

Policy on directors' fees and remuneration

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

Executive directors

The current employment agreements of executive directors outline the components of their remuneration.

At present, remuneration is divided into two components: a fixed component and a variable component comprising of an annual performance bonus and long-term incentives in the form of the current Workforce Share Appreciation Rights Scheme, ensuring that a portion of their package is linked to the achievement of improved business performance.

Directors' service contracts

There are no fixed-term service contracts for executive or non-executive directors.

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 executive directors at Workforce recommend fees payable to the directors for approval by the shareholders. Fees are approved for an annual period commencing after the annual general meeting. The annual fees payable to non-executive directors for the period commencing after the annual general meeting will be recommended to shareholders at the annual general meeting of members to be held on 4 May 2017. Refer to the notice of annual general meeting for the proposed fees on page 134.

Committee evaluation

The company secretary conducted a self-evaluation exercise of the committee's performance, mix of skills and individual contributions of members, and its achievements in terms of its mandate from the board. The results were reviewed by the committee, who was satisfied with the overall assessment and execution of its responsibilities.



Kyansambo Vundla

Chairman of the remuneration and nomination committee

22 March 2017

Risk management report

The group's enterprise risk management provides a framework for managing risks which typically involves identifying particular events or circumstances that impact the ability of Workforce to meet its objectives, assessing them in terms of likelihood and magnitude of impact, assessing the controls in place to mitigate these risks, determining a response where necessary, and monitoring progress. By identifying and proactively addressing these risks and opportunities, Workforce is able to protect and create value for its stakeholders.

In order to support effective communication and implementation of the group's enterprise risk management, a comprehensive risk management plan has been developed to ensure that adequate processes and procedures are in place to manage risk.

While the board remains accountable for the company's risk profile, it has delegated oversight of risk management to the audit and risk committee. As part of its delegated duties, set out in its terms of reference, the committee performed the following:

- Oversaw the development, implementation and annual review of a plan for risk management to recommend it for approval to the board;
- provided direction and guidance to the risk management function;
- promoted the development of a risk management culture throughout the group;
- guided the inclusion of risk management in all strategic and operational decision-making;
- possessed a clear profile of major risks incorporating both opportunity and negative risks;
- maintained a framework to manage, monitor and report risk;
- managed risks to meet Workforce objectives, goals and vision; and
- continuously improved corporate governance.

A summary of the major strategic risks to which the group is exposed and the mitigating controls in place to manage these risks appear on page 12.

The risk management process at Workforce aims to contribute towards both growth in economic value and the protection of our stakeholders. This process involves:

Identifying potential sources of risk

The risk assessment process identifies the potential sources of risk that will prevent Workforce from achieving its objective. The risk identification process is performed at all levels of the group and follows either a bottom-up or top-down approach. The process involves a future orientation as well as examining the facts of today's business profile.

Risk analysis

The risk analysis process consists of two sub-processes – inherent risk and control evaluation.

The risks identified are assessed based on the impact and likelihood of them occurring. The risks are ranked in terms of their priority (inherent risk). The inherent risk is the product of the impact of a risk and the probability of that risk occurring before the implementation of any direct controls.

Controls are identified, categorised, and assessed for each risk that has been identified during the risk identification process. Controls may either be a single control activity that is capable of mitigating the risk, or a number of control activities that, in combination, mitigate the risks to an acceptable level.

Residual risk evaluation

The residual risk assessment assists in quantifying the exposure that Workforce has to a risk, after taking the control environment into account. A combination of both expert judgement and objective evidence is required to arrive at the appropriate risk rating.

Risk evaluation

The purpose of risk evaluation is to implement a distinct and conscious process of decision-making for each risk identified. The decisions made for every key risk must be recorded. Risk evaluation will assist the group in making decisions, based on the outcome of the risk analysis process.

Risk monitoring

Risks are continuously monitored. The process involves the planning and tracking of new risks, constantly reviewing existing risks, monitoring action plans and residual risks, as well as reviewing the execution of risk responses while evaluating their effectiveness.

Risk reporting

All risks are reported on in accordance with the audit and risk committee schedule. Risk incident reports for unacceptable losses are generated as and when they occur. The risk reporting process enables the effective monitoring and reporting of risk and capital management issues across Workforce and provides assurance that the enterprise risk management framework is operating as intended.

Social and ethics committee report

Performance for 2016

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 2016 and will be presented to the shareholders at the annual general meeting to be held on 4 May 2017.

Social and ethics committee members

During the reporting period, Lulu Letlape resigned as chairman and member of the committee on 31 May 2016. Shelley Thomas was subsequently appointed as independent chairman and member effective 5 December 2016. With the appointment of Philip Froom as chief executive officer, he replaced Ronny Katz as member of the committee, a role he fulfilled during the period that he was interim chief executive officer.

The committee now consists of seven members, one of whom is independent. The members of the committee are Shelley Thomas (chairman), Frieda Hall (corporate affairs director), Dawn Halsey (group training and development manager), Philip Froom (chief executive officer), Sean Momberg (managing director: Workforce Staffing), Michelle Biggs (human resources manager) and Willie van Wyk (financial director). The committee's composition is in line with the requirements of the Companies Act, having at least one independent non-executive director. The committee composition will be reviewed during the year to align this with the requirements of King IV.

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

Social and ethics committee	17 Feb 2016	22 Nov 2016
Lulu Letlape*	✓	–
Frieda Hall	✓	✓
Dawn Halsey	✓	✓
Michelle Biggs	✓	✓
Sean Momberg	✓	✓
Ronny Katz**	×	–
Philip Froom***	–	✓
Shelley Thomas****	–	–

× Apology received.

* Resigned 31 May 2016.

** Resigned as member on 15 August 2016.

*** Appointed as member on 15 August 2016.

**** Appointed 4 December 2016.

Responsibilities of the committee

In accordance with its 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;
- compliance with the Employment Equity Amendment Act, 47 of 2013 and the Broad-Based Black Economic Empowerment 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 and 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; and
- 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;
- stakeholder engagement;
- corporate social responsibility;
- ethics and business conduct; and

Social and ethics committee report *(continued)*

- Transformation:
 - Broad-based black economic empowerment;
 - employment equity;
 - skills development; and
 - enterprise and supplier development.

In-depth performance details in respect of the above have been elaborated upon under applicable sub-headings under “our capitals” section of this report.

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

Employment equity policies embody our commitment to implementing employment equity across the group. During the year under review, further attention was given to our compliance with the Employment Equity Act and a revised recruitment policy, aimed at improving employment equity within the group was adopted.

Skills development remains an area of focus and the various skills development programmes that have been implemented are reported on more fully in this integrated annual report.

Socio-economic development

The group’s commitment is to foster good relations with the communities in which we operate, and in so doing 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 new transformation manager was appointed and is chairing the transformation committee that is mandated to ensure implementation of strategies and

achievement of transformation across all operating divisions of the organisation and in line with the amended broad-based black economic empowerment codes of good practice.

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

- Broad-based black economic empowerment scorecard;
- ownership;
- employment equity;
- skills development;
- enterprise and supplier development; and
- socio-economic development.

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

Refer to pages 37 and 38 for details regarding stakeholders engaged during the reporting period.

Sustainability

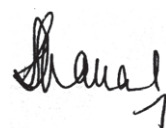
The sustainability framework and the associated pillars which apply to all our operating divisions and within which the group’s sustainability journey will be managed, is currently under review by the chief executive officer, Philip Froom in order to embed sustainability into the organisation and to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

Environment

The group’s environmental policy, which aims to reduce the negative impacts of the group’s trading entities, was reviewed during the year and found to be appropriate.

Evaluation of committee performance

An evaluation of the performance of the committee was not carried out during the reporting period as a result of the number of committee member changes that took place during the reporting period.



Shelley Thomas

Social and ethics committee chairman

22 March 2017

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Tsietsi Eric Mkwani Accountant (The Workforce Group)

Eric (31) lives in Soweto and has a two-year-old child and a baby on the way. He joined Workforce seven years ago as an administration intern within the Workforce legal department.



In 2007, I completed a diploma in Import and Export Management at the Bloemfontein Central University of Technology. I wanted to further my studies in finance but couldn't afford it. After graduating I went for many interviews but had no success in securing a job, until I received a call from Workforce about an internship in their legal department. It was very scary walking into Workforce on the first day of my internship. It was my first experience of being in the corporate world and I was actually shaking. Joannette Nagel, the group's legal director was my mentor and she taught me a lot about working in an office. She taught me the importance of being

organised and of respecting your co-workers. After six months of being an intern I was approached by the finance department about taking up a position as a clerk. This was the biggest break of my career! I rose quickly within the finance department and in 2014 I was promoted to accountant to handle finance for the entire Workforce group of companies from Head Office. I always had a dream of working in the finance industry and Workforce made my dreams come true. This company is like a family to me and one day I hope to even become the financial manager of Workforce.

Directors' responsibility

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 2016, 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 control 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 2017 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 2016.

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 22 March 2017 and are signed on its behalf by:



Ronny Katz
Chairman



Philip Froom
Chief executive officer



Willie van Wyk
Group financial director

Declaration by the company secretary

In terms of section 58(2) of the Companies Act, 2008 (Act 71 of 2008), as amended, 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
22 March 2017

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 74 to 126, which comprise the statement of financial position as at 31 December 2016, 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 2016, and its financial performance and cash flows for the year then ended in accordance with IFRS 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
Impairment of trade receivables and advances	
<p>As disclosed in note 6, the carrying value of trade receivables excluding advances amounted to R420 million and the carrying value of advances amounted to R172 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 two separate debtors with a significant balance of R23 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"> Validating the assumptions applied and inputs in the respective models by comparing it to historical information; and subjecting the key assumptions to sensitivity analyses. <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>Current and deferred taxation</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 R37 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>Information systems general control environment</p> <p>Information systems are seen as an integral element of the operations of the group. Through the testing of general IT controls, 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 and hence this is considered a key audit matter.</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 changed audit approach to be sufficient and appropriate.</p>
<p>Impairment of goodwill and intangible assets</p> <p>Goodwill and other intangible assets arise as a result of acquisitions by the group. The directors conducted their annual impairment test to assess the recoverability of the goodwill and considers 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 is determined and compared to the net book value of the goodwill and other intangible assets.</p> <p>As detailed in note 3, 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 and growth rate. 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"> ▪ Critically evaluating the determination of the cash-generating units; ▪ 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; ▪ validating the assumptions applied and inputs in the respective models by comparing it to historical information and approved budgets; and ▪ subjecting the key assumptions to sensitivity analyses. <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
IFRS3: Business combinations	
<p>During the year, the group acquired the Quyn group as detailed in note 29. Subsequent to year end but before the date of these financial statements, the group acquired KBC Holdings which is also detailed in note 30. The directors made use of independent experts in valuing and allocating the various intangible assets and resultant goodwill.</p> <p>We identified the 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 45 years.



Horwath Leveton Boner

Partner: Craig George

Registered Auditor

Sandton

22 March 2017

Audit and risk committee report to shareholders

Annual financial statements for the year ended 31 December 2016

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 incorporating the recommendations of the King III.

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 committee and attendance at meetings

The audit committee consists of three non-executive directors listed below and all members act independently as described in the Companies Act. Lulu Letlape resigned on 31 May 2016 and was replaced by Shelley Thomas on 5 December 2016. The members of the committee, in respect of the year ended 31 December 2016 comprised John Macey (chairman), Kyansambo Vundla and Shelley Thomas, all of whom are independent non-executive directors of the company.

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

Member	10 Mar 2016	18 Aug 2016	23 Nov 2016
John Macey (Chairman)	✓	✓	✓
Kyansambo Vundla	✓	✓	✓
Lulu Letlape*	x	–	–
Shelley Thomas**	–	–	–

X – Apologised.

* Resigned 31 May 2016.

** Appointed 5 December 2016.

The head of the internal audit department and external auditors, in their capacities as auditors to the group, attend and report at all audit and risk committee meetings. The chief executive officer, financial director and other relevant senior managers attend meetings by invitation.

Role of the audit committee

The audit committee has adopted a formal 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 committee:

- Fulfils 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;
- 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;
- 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 committee's work plan and terms of reference; and
- assesses the performance and effectiveness of the audit committee and its members on a regular basis.

Execution of functions during the year

The committee is satisfied that, for the 2016 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

The committee among other matters:

- Nominated Horwath Leveton Boner and Craig George as the external auditor and designated auditor respectively to shareholders for appointment as auditor for the financial year ended 31 December 2016, and ensured that the appointment complied with all applicable legal and regulatory requirements for the appointment of an auditor;
- nominated the external auditor and the independent auditor for each material subsidiary company for re-appointment;
- 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.

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; and
- 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 chair of the committee and administratively to the financial director.

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

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 included;
- 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 2.22 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
Reviewed and found this item 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
Audit procedures adapted appropriately in order to form their opinion.
- Impairment of goodwill and intangible assets
Reviewed and found this item to be fairly stated, in all material respects.
- IFRS 3: Business combinations
Reviewed and found this item to be fairly stated, in all material respects.

Risk management and information technology ("IT") governance

The committee:

- Reviewed the group's policies on risk assessment and risk management, including fraud risks and IT risks as they pertain to financial reporting and the going concern assessment, and found them to be sound; and
- considered the relevant findings and recommendations of the IT steering committee.

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;
- considered reports provided by management, internal audit and the external auditors regarding compliance with legal and regulatory requirements; and
- considered the JSE's letter dated 14 February 2017 in respect of the report on its proactive monitoring process at the meeting held on 13 March 2017.

Expertise and experience of financial director and the financial function

As required by 3.84(h) 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 require 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 on 4 May 2017 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 2018.

Evaluation of the committee

The company secretary conducted a self-evaluation of the committee's performance, mix of skills and individual contributions of members, its achievements in terms of its mandate from the board. The results were reviewed by the committee, which was satisfied with the overall assessment.

Integrated report

Following the review by the committee of the consolidated annual financial statements of Workforce Holdings Limited for the year ended 31 December 2016, the committee is of the view that in all material aspects they comply with the relevant provisions of the 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 this integrated annual report for the year ended 31 December 2016 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

22 March 2017

Directors' report

The directors present their report for the year ended 31 December 2016. This report does not form part of the audited financial statements.

Nature of business

Workforce Holdings Limited is a holding company. Its subsidiaries provide temporary employment services; permanent placement recruitment; training, skills development and consulting; healthcare and wellness; disability solutions; financial services and lifestyle benefits; and business process outsourcing.

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 chairman and chief executive officer's report as well as the report on financial capitals.

Subsidiaries

The company's directly owned subsidiaries are as follows:

	% holding
The Workforce Group Proprietary Limited	100
Allmed Healthcare Professionals Proprietary Limited	100
Rapitrade 465 Proprietary Limited	100
Telebest Holdings Proprietary Limited	100
Programmed Process Outsourcing Proprietary Limited	100
Workforce Outsourcing Proprietary Limited	100
Debtworx Proprietary Limited	100
Interchange Business Consulting Proprietary Limited	100

Details of the subsidiaries indirectly held are set out below:

	% holding
Babereki Employee Support Services Proprietary Limited	100
Essential Employee Benefits Proprietary Limited	100
Fads Proprietary Limited	100
Nursing Emergencies Proprietary Limited	100
Khetha Staffing Services Proprietary Limited	100
Only The Best Proprietary Limited	100
Pha Phama Africa Staff Services Proprietary Limited	100
Teleresources Proprietary Limited	100
Molapo Quyn Outsourcing Proprietary Limited	100
Quyn International Outsourcing Proprietary Limited	100
Sizuluntu Staffing Solutions Proprietary Limited	48
Quyn HR Consulting Proprietary Limited	100
Quyn Payroll Services Proprietary Limited	100
Training Force Proprietary Limited	100
Training Force Namibia Proprietary Limited	100
Workforce Finance Proprietary Limited	100
Workforce Health Care Proprietary Limited	50
Jet Talent Proprietary Limited	50
Workforce Software Proprietary Limited	100
Qunu Workforce Proprietary Limited	49
Prisma Training Solutions 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 (2015: 14 370 000) shares in Workforce Holdings Limited. The cost of these shares amounted to R7 711 356 (2015: R7 782 792) and the loan outstanding is R9 111 761 (2015: R9 111 761).

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

	2016 R'000	2015 R'000
	91 604	76 785

Dividends

No dividends were declared in the current financial year (2015: R Nil).

Share capital

Details of the company's authorised and issued share capital at 31 December 2016 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, loan from a major shareholder as well as a short-term loan facility.

Subsequent events

Workforce Holdings Limited has entered into three business combinations subsequent to the financial year-end. For more details refer to note 30 of the group annual financial statements for events occurring after the balance sheet date.

Special resolutions

- It was resolved that the non-executive directors' remuneration was approved with effect from 4 May 2016 until the next annual general meeting.
- It was resolved that approval was provided direct or indirect financial assistance to any related or inter-related company (as defined in the Companies Act) by the way of general authority.
- 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 (appointed 15 August 2016)

RS Katz

WP van Wyk

Non-executive directors

NM Anderson

L Letlape (resigned 31 May 2016)

JR Macey

S Thomas (appointed 5 December 2016)

K Vundla

Group statement of financial position

as at 31 December 2016

	Notes	2016 R'000	2015 R'000
Assets			
Non-current assets		199 060	152 097
Property, plant and equipment	1	18 015	15 176
Goodwill	2	102 287	62 501
Intangible assets	3	39 130	32 911
Deferred tax assets	4	36 919	38 576
Other financial assets	5	2 709	2 933
Current assets		688 090	535 410
Trade and other receivables	6	610 219	517 788
Inventories	7	2 742	4 111
Taxation		–	447
Cash and cash equivalents	8	75 129	13 064
Total assets		887 150	687 507
Equity and liabilities			
Equity		446 768	354 247
Equity attributable to owners of the parent		446 491	354 275
Share capital and premium	9	241 867	241 867
Treasury shares	9	(9 330)	(9 488)
Available-for-sale reserve		462	686
Equity-settled employee benefits reserve	27	2 337	1 659
Reverse acquisition reserve		–	(125 499)
Retained earnings		211 155	245 050
Non-controlling interests		277	(28)
Non-current liabilities		40 349	34 791
Financial liabilities	10	30 840	24 076
Deferred tax liabilities	4	9 509	10 715
Current liabilities		400 033	298 469
Trade and other payables	11	115 231	88 480
Financial liabilities	10	283 857	209 989
Taxation		945	–
Total equity and liabilities		887 150	687 507

Group statement of comprehensive income

for the year ended 31 December 2016

	Notes	2016 R'000	2015 R'000
Revenue	12	2 523 405	1 949 771
Cost of sales		(1 924 425)	(1 494 934)
Gross profit		598 980	454 837
Other income		720	1 700
Operating costs		(461 810)	(349 951)
Earnings before interest, taxation, depreciation and amortisation ("EBITDA")		137 890	106 586
Depreciation and amortisation of non-financial assets		(17 476)	(12 910)
Operating profit		120 414	93 676
Finance income	13	711	297
Finance costs	14	(29 957)	(17 250)
Profit before taxation		91 168	76 723
Taxation	15	735	758
Profit for the year	16	91 903	77 481
Other comprehensive income for the year, net of tax:		(224)	917
Fair value gain on available-for-sale financial assets to be reclassified subsequent to profit or loss	5	(224)	917
Total comprehensive income for the year		91 679	78 398
Profit for the year attributable to:			
Owners of the parent		91 604	76 785
Non-controlling interests		299	696
		91 903	77 481
Total comprehensive income attributable to:			
Owners of the parent		91 380	77 702
Non-controlling interests		299	696
		91 679	78 398
Earnings per share (cents per share)			
Basic earnings per share	17	40,1	34,1
Diluted earnings per share	17	38,1	32,5

Group statement of changes in equity

for the year ended 31 December 2016

	Attributable to owners of the parent							Non-controlling interests	Total equity
	Share capital and premium	Treasury shares	Available-for-sale reserve	Equity-settled employee benefits reserve	Reverse acquisition reserve	Retained earnings	Total		
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Balance at 1 January 2015	236 867	(7 616)	(231)	898	(125 499)	168 265	272 684	(371)	272 313
Payment of dividends	–	–	–	–	–	–	–	(353)	(353)
Recognition of share-based payments	–	–	–	761	–	–	761	–	761
Buy-back of shares	–	(1 872)	–	–	–	–	(1 872)	–	(1 872)
Issue of ordinary shares arising on the acquisition of a business	5 000	–	–	–	–	–	5 000	–	5 000
Total comprehensive income for the year	–	–	917	–	–	76 785	77 702	696	78 398
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 31 December 2016	241 867	(9 330)	462	2 337	–	211 155	446 491	277	446 768
Notes	9	9	5*	27					

* 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).

** Additional non-controlling interest arising on business combination (note 29.1.7).

*** As the reverse acquisition reserve arose in the 2006 financial year on the listing of Workforce Holdings Limited, it is considered a historical event which no longer bears relevance and no longer requires a separate reserve allocation. The reserve has hence been transferred to retained earnings in the current year.

Group statement of cash flows

for the year ended 31 December 2016

	Notes	2016 R'000	2015 R'000
Cash generated from operations before net working capital changes		109 763	88 638
Cash generated from operations	19.1	136 989	104 899
Finance income		711	297
Finance costs		(26 493)	(17 250)
Taxation paid	19.2	(1 444)	692
Increase in net working capital	19.3	(40 551)	(66 067)
Cash flows from operating activities		69 212	22 571
Cash flows from investing activities		(55 992)	(26 098)
Property, plant and equipment acquired – maintaining operations	1	(7 170)	(6 929)
Proceeds on disposal of property, plant and equipment		791	1 562
Dividend income		720	1 700
Intangible assets acquired – maintaining operations	3	(8 452)	(7 791)
Net cash flow on acquisition of business combinations	19.4	(41 881)	(14 640)
Cash flows from financing activities		48 845	6 271
Increase of borrowings		51 834	8 496
Payment for buy-back of shares		(1 714)	(1 872)
Cash-settled share-based payments		(858)	–
Dividends paid		(417)	(353)
Net change in cash and cash equivalents		62 065	2 744
Cash and cash equivalents at the beginning of the year		13 064	10 320
Cash and cash equivalents at the end of the year	19.5	75 129	13 064

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 in the corporate information in this integrated annual report. The principal activities of the group are staff outsourcing; recruitment and specialist staffing; training and consulting; process outsourcing; employee health management; and financial and lifestyle products.

2. Summary of accounting policies

The significant accounting policies that have been used in the preparation of the company and group financial statements are summarised below. The financial statements have been prepared using the measurement bases specified by International Financial Reporting Standards ("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 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.

2.2 Basis of preparation

The financial statements have been prepared on the historical cost basis except for certain financial and equity 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, and are consistent with the previous period, except for the changes set out in note 3.3.

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 if measured at fair value. Any excess of identifiable net assets over acquisition cost is recognised in profit or loss immediately after acquisition.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

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. The group is organised into five main operating segments, namely staffing and recruitment, training and consulting, employee health management, financial and lifestyle products and process outsourcing. 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.

Accounting policies *(continued)*

2. Summary of accounting policies *(continued)*

2.6 Revenue recognition *(continued)*

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.

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.

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
Motor vehicles	4
Computer equipment	3
Industrial equipment	4
Office equipment	5
Leasehold improvements	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.

2.11 Intangible assets

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.

Accounting policies *(continued)*

2. Summary of accounting policies *(continued)*

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

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, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

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. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. 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

Share capital and premium

Share capital and share premium represent 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.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

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 ("B-BBEE") 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.

Accounting policies *(continued)*

2. Summary of accounting policies *(continued)*

2.17 *Equity, reserves and dividends paid (continued)*

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.

2.18 *Contingencies*

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 25.

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 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.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

2.20.1 *Financial assets*

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the time frame established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: "Available-for-sale" ("AFS") financial assets 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.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

All financial assets are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

Available-for-sale ("AFS") financial assets

Listed shares and listed redeemable notes held by the group that are traded in an active market are classified as AFS and are stated at fair value. Investments in unlisted shares that are not traded in an active market are also classified as AFS financial assets and stated at fair value if the directors consider that fair value can be reliably measured. Fair value is determined in the manner described in note 21.2. 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.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in equity.

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 and unlisted 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 all other financial assets, including redeemable notes classified as AFS and finance lease receivables, objective evidence of impairment include significant financial difficulty of the issuer or counterparty, or default or delinquency in interest or principal payments, or it becoming probable that the borrower will enter bankruptcy or financial reorganisation.

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.

Accounting policies *(continued)*

2. Summary of accounting policies *(continued)*

2.20 Financial instruments *(continued)*

2.20.1 Financial assets *(continued)*

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.

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.

2.20.2 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.

2.21 *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 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 27.

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.

For cash-settled share-based payment transactions, the goods or services acquired and the liability incurred are measured at the fair value of the liability. Until the liability is settled, the fair value of the liability is remeasured at each reporting date and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.

2.22 *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.

2.22.1 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 Sectoral Education and Training Authority ("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.

Accounting policies *(continued)*

2. Summary of accounting policies *(continued)*

2.22 Critical accounting judgements and key sources of estimation uncertainty *(continued)*

2.22.1 Critical judgements in applying accounting policies *(continued)*

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 provisions 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.

Control over Workforce Health Care Proprietary Limited

Note 25.3 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 25.3 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 25.3 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 25.3 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 25.3 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 Staffing Solutions Proprietary Limited. The directors of the company assessed whether the group has control over Sizuluntu Staffing Solutions Proprietary Limited 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.

2.22.2 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 2016 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.

2.23 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*.

Accounting policies *(continued)*

3. Adoption of new and revised International Financial Reporting Standards (“IFRS”)

3.1 *Standards, amendments and interpretations to existing standards adopted during the financial year*

IFRS 7: Financial Instruments: Disclosures

Annual Improvements 2012 – 2014 Cycle: Amendments clarifying under what circumstances an entity will have continuing involvement in a transferred financial asset as a result of servicing contracts. Effective 1 January 2016.

Annual Improvements 2012 – 2014 Cycle: Amendments clarifying the applicability of previous amendments to IFRS 7 issued in December 2011 with regard to offsetting financial assets and financial liabilities in relation to interim financial statements prepared under IAS 34. Effective 1 January 2016.

IFRS 10: Consolidated Financial Statements

Investment Entities: Applying the Consolidation Exception: Narrow-scope amendments to IFRS 10, IFRS 12 and IAS 28 introduce clarifications to the requirements when accounting for investment entities. The amendments also provide relief in particular circumstances, which will reduce the costs of applying the Standards. Effective 1 January 2016.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28): Narrow scope amendment address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The effective date of this amendment has been deferred indefinitely until further notice.

IFRS 12: Disclosure of Interests in Other Entities

Investment Entities: Applying the Consolidation Exception: Narrow-scope amendments to IFRS 10, IFRS 12 and IAS 28 introduce clarifications to the requirements when accounting for investment entities. The amendments also provide relief in particular circumstances, which will reduce the costs of applying the Standards. Effective 1 January 2016.

IFRS 14: Regulatory Deferral Accounts

IFRS 14 permits first-time adopters to continue to recognise amounts related to its rate regulated activities in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that apply IFRS and do not recognise such amounts, the Standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the standard. Effective 1 January 2016.

IAS 1: Presentation of Financial Statements

Disclosure Initiative: Amendments designed to encourage entities to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that entities should use professional judgement in determining where and in what order information is presented in the financial disclosures. Effective 1 January 2016.

IAS 16: Property, Plant and Equipment

Amendment to both IAS 16 and IAS 38 establishing the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. Clarifying that revenue is generally presumed to be an inappropriate basis for measuring the consumption of economic benefits in such assets. Effective 1 January 2016.

IAS 27: Consolidated and Separate Financial Statements

Amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Effective 1 January 2016.

IAS 28: Investments in Associates and Joint Ventures

Investment Entities: Applying the Consolidation Exception: Narrow-scope amendments to IFRS 10, IFRS 12 and IAS 28 introduce clarifications to the requirements when accounting for investment entities. The amendments also provide relief in particular circumstances, which will reduce the costs of applying the Standards. Effective 1 January 2016.

3. Adoption of new and revised International Financial Reporting Standards (“IFRS”)

3.1 *Standards, amendments and interpretations to existing standards adopted during the financial year (continued)*

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28): Narrow-scope amendment to address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The effective date of this amendment has been deferred indefinitely until further notice.

IAS 38: Intangible Assets

Amendment to both IAS 16 and IAS 38 establishing the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. Clarifying that revenue is generally presumed to be an inappropriate basis for measuring the consumption of economic benefits in such assets. Effective 1 January 2016.

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 1: First-time Adoption of International Financial Reporting Standards

Annual Improvements 2014 – 2016 Cycle: Deletion of short-term exemptions that are no longer applicable. Effective 1 January 2018.

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.

IFRS 9: Financial Instruments (continued)

- 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.

IFRS 12: Disclosure of Interests in Other Entities

Annual Improvements 2014 – 2016 Cycle: Clarification of the scope of IFRS 12 with respect to interests in entities classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Effective 1 January 2017.

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.

Notes to the group financial statements

3. Adoption of new and revised International Financial Reporting Standards (“IFRS”) (continued)

3.2 Standards, amendments and interpretations to existing standards that are not yet effective (continued)

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.

Effective 1 January 2018.

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.

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.

IAS 28: Investments in Associates and Joint Ventures

Annual Improvements 2014 – 2016 Cycle: Clarification that a venture capital organisation, or a mutual fund, unit trust and similar entities may elect, at initial recognition, to measure investments in an associate or joint venture at fair value through profit or loss separately for each associate or joint venture. Effective 1 January 2018.

3.3 *Standards and Interpretations early adopted*

The group has chosen to early adopt the following standards and interpretations:

Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions

The amendment now specifies the treatment of vesting and non-vesting conditions with regards to cash-settled share-based payment transactions. The treatment is essentially similar to the treatment of such conditions for equity-settled share-based payment transactions. That is, non-market vesting conditions are taken into consideration when estimating the number of awards which are expected to vest (and which ultimately vest), while market conditions and other non-vesting conditions are taken into consideration when determining the fair value of the share based payment liability, both initially and subsequently.

The amendment also provides for share-based payment transactions with a net settlement feature for withholding tax obligations. Essentially, where the entity is required to withhold part of the equity instruments equal to the tax obligation, the entity is required to account for the payment to tax authorities as a reduction in equity, except to the extent that the payment exceeds the fair value of the equity instruments withheld at net settlement date. The entity should also disclose the amount that it expects to transfer to tax authorities in terms of such transactions.

The amendment further provides guidance in terms of modifications which convert cash-settled share-based payment transactions to equity -settled share-based payment transactions. For such modifications, the equity-settled share based payment transaction is measured by reference to the fair value of the equity instruments granted at modification date, to the extent to which goods or services have been received. The liability for cash-settled share based payment transactions is derecognised on the modification date. Any difference between the two is recognised immediately in profit or loss.

The effective date of the amendment is for years beginning on or after 01 January 2018. The company has early adopted the amendment for the first time in the 2016 financial statements. The adoption of this amendment has not had a material impact on the results of the company, but has resulted in more disclosure than would have previously been provided in the financial statements.

Notes to the group financial statements *(continued)*

	Cost R'000 2016	Accu- mulated depre- ciation R'000 2016	Carrying value R'000 2016	Cost R'000 2015	Accu- mulated depre- ciation R'000 2015	Carrying value R'000 2015
1. Property, plant and equipment						
Motor vehicles	9 218	(5 525)	3 693	8 296	(4 903)	3 393
Computer equipment	24 805	(20 665)	4 140	20 259	(17 735)	2 524
Industrial equipment	5 522	(3 650)	1 872	4 674	(2 648)	2 026
Office equipment	15 261	(12 434)	2 827	12 322	(10 961)	1 361
Leasehold improvements	1 268	(1 138)	130	1 242	(1 059)	183
Training manuals	9 854	(7 201)	2 653	9 677	(6 688)	2 989
Land and buildings	2 700	–	2 700	2 700	–	2 700
	68 628	(50 613)	18 015	59 170	(43 994)	15 176

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 improve- ments R'000	Training manuals R'000	Land and buildings R'000	Total R'000
Carrying value at								
1 January 2015	2 105	1 865	463	1 263	227	1 129	–	7 052
Additions	1 668	2 251	1 975	916	78	41	–	6 929
Disposals	(570)	(225)	–	(14)	–	–	–	(809)
Acquired through								
business combinations	1 212	35	–	33	–	3 030	2 700	7 010
Depreciation	(1 022)	(1 402)	(412)	(837)	(122)	(1 211)	–	(5 006)
Carrying value at								
31 December 2015	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

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 (2015: Nil).

The net book value of motor vehicles held under instalment credit agreements at 31 December 2016 amounted to R1 460 340 (2015: R2 152 341). Refer to note 10 for details of the instalment credit agreements. Motor vehicles acquired under instalment credit agreements amounted to R728 139 (2015: R1 147 227).

The Quyn Group was acquired on 1 February 2016, in order to give Workforce an increased presence in the provision of outsourced technical skills. Property, plant and equipment to the value of R1 389 000 was acquired as part of the business combination.

Gcubed was acquired on 1 May 2016 in order to increase Workforce's skills base and to enhance its permanent placement and executive search capability. Property, plant and equipment to the value of R28 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.

	2016 R'000	2015 R'000
2. Goodwill		
Carrying value at the beginning of the year	62 501	41 280
Acquired through business combination (refer to note 29)	39 786	21 221
Carrying value at the end of the year	102 287	62 501
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 outsourcing – Workforce Staffing	4 275	4 275
Recruitment and specialist staffing – Telebest Holdings	31 190	31 190
Recruitment and specialist staffing – Allmed Healthcare Professionals	5 815	5 815
Recruitment and specialist staffing – Quyn Group	39 134	–
Recruitment and specialist staffing – Gcubed	652	–
Training and Consulting – Prisma Training Solutions	21 221	21 221
	102 287	62 501

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 19.3% (2015: 17%) 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.

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 following rates have been used:

	Workforce Staffing	Telebest Holdings	Allmed Healthcare Professionals	Quyn Group	Prisma Training Solutions
Average growth rates years 1 to 5	7%	7%	7%	7%	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-generating units to exceed the aggregate recoverable amount of each of the cash-generating units respectively.

Notes to the group financial statements (continued)

	Cost R'000 2016	Accumulated amortisation R'000 2016	Carrying value R'000 2016	Cost R'000 2015	Accumulated amortisation R'000 2015	Carrying value R'000 2015
3. Intangible assets						
Computer software	51 162	(35 407)	15 755	45 711	(29 156)	16 555
Brands	3 209	(2 453)	756	3 209	(1 409)	1 800
Client relationships	19 510	(5 443)	14 067	9 330	(252)	9 078
Work in progress	8 552	–	8 552	5 478	–	5 478
	82 433	(43 303)	39 130	63 728	(30 817)	32 911

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 2015	18 297	2 870	–	2 527	23 694
Additions	4 840	–	–	2 951	7 791
Acquired through business combinations	–	–	9 330	–	9 330
Amortisation	(6 582)	(1 070)	(252)	–	(7 904)
Carrying value at 31 December 2015	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

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 (2015: Nil). Computer software is mostly internally generated.

The Quyn Group was acquired on 1 February 2016, in order to give Workforce an increased presence in the provision of outsourced technical skills. Intangibles to the value of R6 180 000 was acquired as part of the business combination.

Gcubed was acquired on 1 May 2016 in order to increase Workforce's skills base and to enhance its permanent placement and executive search capability. Intangibles to the value of R4 000 000 were acquired as part of the business combination.

The group has no further contractual commitments to acquire intangible assets at reporting date.

	2016 R'000	2015 R'000
4. Deferred tax assets and liabilities		
Balance at the beginning of the year	27 861	29 938
Acquired through business combinations	(1 654)	(3 460)
Movement per statement of comprehensive income	1 203	1 383
Balance at the end of the year	27 410	27 861
Deferred tax balances are presented in the statement of financial position as follows:		
Deferred tax assets	36 919	38 576
Deferred tax liabilities	(9 509)	(10 715)
	27 410	27 861

	Opening balance R'000	Recognised in profit and loss R'000	Closing balance R'000
4. Deferred tax assets and liabilities (continued)			
Deferred tax assets/(liabilities) arise from the following:			
2016			
Temporary differences			
Property, plant and equipment	(51)	14	(37)
Intangible assets	(8 095)	1 498	(6 597)
Intangible assets – acquired through business combinations	–	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
	27 861	1 203	27 410
2015			
Temporary differences			
Property, plant and equipment	(61)	10	(51)
Intangible assets	(5 165)	530	(4 635)
Intangible assets – acquired through business combinations	–	–	(3 460)
Doubtful debts	9 140	2 579	11 719
Other provisions	65	(65)	–
Financial liabilities	298	74	372
Provision for leave	2 684	(668)	2 016
Income received in advance	1 308	(233)	1 075
Long-term financial liabilities	–	(2 218)	(2 218)
Prepaid expenses	(184)	(167)	(351)
Available-for-sale financial assets	51	119	170
Prior year reclassification	–	286	286
Tax losses	21 802	1 136	22 938
	29 938	1 383	27 861

Deferred tax assets on tax losses are only raised for companies that are expected to be profitable in the 2017 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 once-off losses as well as the effect of tax allowances on learnerships.

Unrecognised deferred tax assets arising from tax losses amounts to R3 894 892 (2015: R775 040).

Notes to the group financial statements *(continued)*

	2016 R'000	2015 R'000
5. Other financial assets		
Other financial assets comprise the following investment:		
Available-for-sale financial assets		
Listed shares		
4 616 907 (2015: 4 616 907) shares in Primeserv Limited at fair value	2 309	2 533
Investment in cell captive	400	400
	2 709	2 933
Available-for-sale reserve		
Gross	(591)	878
Taxation	129	(192)
Net	(462)	686
Movement in statement of comprehensive income	(224)	917
Fair value of the listed shares has been determined by reference to their quoted bid prices at reporting date and is categorised as level 1 in the fair value hierarchy.		
Net asset value of the investment in the cell captive does not approximate the fair value.		
6. Trade and other receivables		
Trade and other receivables can be summarised as follows:		
Trade receivables	591 661	495 404
Other receivables	17 437	21 129
Trade and other receivables	609 098	516 533
Prepayments	1 121	1 255
	610 219	517 788
Trade receivables		
Trade receivables can be analysed as follows for the periods under review:		
Net trade receivables excluding advances	420 125	355 444
Gross trade receivables	435 462	369 872
Impairment provisions	(15 337)	(14 428)
Net advances	171 536	139 960
Gross advances	224 963	181 336
Impairment provisions	(53 427)	(41 376)
	591 661	495 404

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, 2005 (Act 34 of 2005) ("NCA") as prescribed by the National Credit Regulator ("NCR"). The management of this risk is set out in note 23.3.

At year-end, trade receivables to the value of R373 687 328 (2015: R288 145 526) were ceded to the bank in terms of an invoice discounting agreement as set out in note 10.

	2016 R'000	2015 R'000
6. Trade and other receivables (continued)		
Other receivables		
Other receivables comprise the following:		
Deposits	2 306	2 361
Staff debtors	2 639	2 617
Sundry debtors	12 492	16 151
	17 437	21 129
Included in sundry receivables are amounts due from SETAs, 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:		
Opening balance	2 545	2 503
Claims submitted and recognised in financial statements	3 705	3 156
Grants received	(3 787)	(3 114)
	2 463	2 545
The R3 705 000 (2015: R3 156 000) grants recognised have been set off against operating costs.		
Amounts claimed for employment tax incentive can be reconciled as follows:		
Opening balance	8 313	12 240
Claims submitted and recognised in financial statements	61 457	53 742
Grants received	(65 380)	(57 669)
	4 390	8 313
The R61 457 000 (2015: R53 742 000) grants recognised have been set off against cost of sales.		
Impairment provisions		
Impairment provisions can be summarised as follows:		
Trade receivables	15 337	14 428
Advances	53 427	41 376
	68 764	55 804
Days sales outstanding (excluding advances)	46	45
All of the group's trade and other receivables have been reviewed for indicators of impairment. Certain trade receivables amounting to R42 506 million (2015: R21 898 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.		
The movement of the impairment provision can be reconciled as follows:		
Balance at the beginning of the year	55 804	42 389
Impairment losses raised	42 506	21 898
Amounts written off as uncollectible	(29 546)	(8 483)
	68 764	55 804

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.

Notes to the group financial statements *(continued)*

	2016 R'000	2015 R'000
7. Inventories		
Inventories can be analysed as follows:		
Consumables	95	316
Merchandise	2 647	3 795
	2 742	4 111

The cost of inventories recognised as an expense during the year, was R15 million (2015: R9 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	74 181	12 142
Short-term deposits	948	922
	75 129	13 064

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

9. Share capital		
Authorised		
1 000 000 000 ordinary no par value shares		
Issued		
Stated capital	241 867	239 995

	Number of shares	2016 R'000	2015 R'000
The issued share capital can be reconciled as follows:			
Balance at the beginning of the year	240 000 000	241 867	236 867
Shares issued	–	–	5 000
Balance at the end of the year	240 000 000	241 867	241 867
Treasury shares		(9 330)	(9 488)
14 370 000 shares			
Balance at the beginning of the year	14 370 000	(9 488)	(7 616)
Share buy-back	2 063 478	(1 714)	(1 872)
Shares distributed	(1 280 667)	1 872	–
Balance at the end of the year	15 152 811	232 537	232 379

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. 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.

	Current 2016 R'000	2015 R'000	Non-current 2016 R'000	2015 R'000
10. Financial liabilities				
Financial liabilities include the following:				
Unsecured at amortised cost				
10.1 Loan on treasury shares, interest free and repayable on 31 December 2018	–	–	7 711	7 783
Gross amount owing	–	–	9 112	9 112
Imputed interest	–	–	(1 401)	(1 329)
Secured liabilities at amortised cost				
10.2 Invoice discounting facility bearing interest at 0.5% below prime rate	245 078	192 439	–	–
10.3 Loan facility bearing interest at prime rate plus 3%	14 031	9 410	–	–
10.4 Instalment sale liabilities	851	927	1 970	1 534
Financial liabilities carried at fair value through profit or loss				
Business combination contingent consideration payable				
10.5 Prior year	3 747	7 213	13 659	14 759
10.6 Current year (refer to note 29)	20 150	–	7 500	–
	283 857	209 989	30 840	24 076

10.1 The loan on treasury shares is repayable out of dividends received by the subsidiary, and is secured by shares held in the group. The loan is interest free and is repayable on 31 December 2018. Using a risk adjusted rate of 8.7%, the fair value of the loan is estimated at R7 711 356 (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. Gain of R71 438 was recognised on this loan in the current year due to a re-negotiation of the loan repayment date. R1 400 525 will be recognised as interest expenses over the next two years.

10.2 The group has entered into an invoice discounting and cession of debtors agreement with ABSA bank for a borrowing facility of R350 million (2015: R320 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.

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 bank.

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 (2015: R15 million). This facility is secured by an unlimited pledge and cession of all present and future book debts of Babereki Employee Support Services Proprietary Limited. The amount of book debts of the subsidiary amounted to R174 million (2015: R140 million).

10.4 Instalment sale liabilities are secured over motor vehicles with a carrying value of R1 460 340 (2015: R3 040 251) bearing interest at rates approximating the prime overdraft rate and repayable in monthly instalments of approximately R83 832 (2015: R93 456).

The carrying value of the financial liabilities approximates their fair value, except in the case of the treasury share loan as discussed in 10.1.

Notes to the group financial statements *(continued)*

10. Financial liabilities *(continued)*

- 10.5 Other financial liabilities include R17 406 000 representing the estimated fair value of the contingent consideration relating to the acquisition of Prisma Training Solutions Proprietary Limited. There has been no change in the fair value of the contingent consideration since the acquisition date.

Fair value was calculated based on level 3 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. Probability adjusted profit before tax, with a range from R28 million to R66 million was used in the calculation. A 5% change in the discount rate used in isolation would not result in a significant change in the fair value. A 5% change in the probability adjusted profit before tax would not result in a significant change in the fair value.

- 10.6 Other financial liabilities include R27 650 000 representing the estimated fair value of the consideration relating to the acquisition of Quyn Group (refer to note 29.1.3) and Gcubed (refer to note 29.2.3). There has been no change in the fair value of the consideration since the acquisition date.

Fair value of the consideration payable for Quyn Group was calculated based on level 3 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 consideration. A discount rate of 10.5% was determined based on the prime lending rate. 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 Gcubed was calculated based on level 3 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 Gcubed, the effects of discounting is immaterial and a 5% adjustment in the discount rate would not result in a significant change in fair value.

	2016 R'000	2015 R'000
11. Trade and other payables		
Trade and other payables comprise:		
Trade payables	86 982	67 245
VAT payable	28 249	21 235
Total trade and other payables	115 231	88 480
Trade payables		
Trade creditors	49 185	33 791
Income received in advance	2 992	3 839
Audit fee accrual	647	475
Payroll liabilities	25 777	21 939
Accrual for paid annual leave	8 381	7 201
	86 982	67 245

All amounts are short term and the carrying values of trade and other payables are considered to be a reasonable approximation of fair value.

	2016 R'000	2015 R'000
12. Revenue		
An analysis of the group's revenue for the year (excluding finance income – refer to note 13), is as follows:		
Revenue from the rendering of services	2 421 597	1 870 929
Imputed interest on trade receivables	39 554	31 770
Interest income on customer loans	23 309	21 897
Sale of goods	38 945	25 175
	2 523 405	1 949 771
Refer to note 20 for an analysis of revenue by major products and services.		
13. Finance income		
Bank deposits	640	149
Financial instrument at amortised cost*	71	93
Other loans and receivables	–	55
	711	297
* Included in finance income is a gain of R71 438 (2015: R93 223) 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)	640	204
Financial liabilities at amortised cost	71	93
	711	297
14. Finance costs		
Interest on short-term borrowings	18 716	12 606
Imputed interest	3 466	866
Amounts paid to vendors	3 456	–
Interest on bank overdrafts	4 319	3 778
	29 957	17 250
15. Taxation		
Taxation recognised in profit and loss		
Current tax expense		
Current year	(468)	(624)
Reversal of deferred tax		
Reversal of temporary differences	1 203	1 382
	735	758
Taxation recognised in other comprehensive income		
Deferred tax – fair value remeasurement of available-for-sale financial assets	129	(192)
	129	(192)
Estimated tax losses of subsidiaries of the group for utilisation against future taxable income:		
Tax losses recognised for deferred tax	61 819	71 195
Tax losses not recognised for deferred tax	3 895	2 768
	65 714	73 963

Notes to the group financial statements *(continued)*

	2016 %	2015 %
15. Taxation <i>(continued)</i>		
The tax rate for the year can be reconciled as follows:		
Standard corporate tax rate	28,00	28,00
Adjusted for:		
Non-deductible expenses	0,49	0,71
Tax allowances*	(29,30)	(29,85)
Prior year tax adjustments	–	0,15
Effective tax rate	(0,81)	(0,99)

* Tax allowances include employment tax incentives and learnership allowances, and are likely to occur in future.

	2016 R'000	2015 R'000
16. Profit for the year		
Profit before taxation for the year has been arrived at after charging/(crediting):		
Impairment losses on financial assets		
Impairment loss recognised on trade receivables (refer to note 6)	42 506	21 898
Gains on disposal of property, plant and equipment	(121)	(809)
Depreciation and amortisation of non-financial assets		
Depreciation on property, plant and equipment (refer to note 1)	5 072	5 006
Amortisation of intangible assets (refer to note 3)	12 404	7 904
	17 476	12 910
Government grants received for employment tax incentive (refer to note 6)	(61 457)	(53 742)
Employee contribution expense		
Contribution to provident fund (refer to note 28)	20 542	14 106
Equity-settled share-based payments	2 536	761
Staff costs	270 398	221 161
The number of employees of the group at the financial year-end was 1 022 (2015: 974)		
Auditor's remuneration		
Audit fees	2 424	1 619
	2 424	1 619
Operating lease rentals		
Premises	29 085	23 110
Equipment	6 156	7 725
	35 241	30 835

	2016 R'000	2015 R'000	Increase/ (decrease) %
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)	91 604	76 785	
Weighted average number of ordinary shares in issue ('000)	228 577	225 328	
Diluted weighted average number of shares in issue ('000)	240 643	236 619	
Basic earnings per share (cents)	40,1	34,1	17,6
Diluted earnings per shares (cents)	38,1	32,5	17,2
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)	91 604	76 785	19,3
Headline earnings adjustment (R'000)	(87)	(1 806)	
Gain on disposal of property, plant and equipment	(121)	(809)	
Dividend income	–	(1 700)	
Tax effects of adjustments	34	703	
Total headline earnings (R'000)	91 517	74 979	
Weighted average number of shares in issue ('000)	228 577	225 328	
Headline earnings per share (cents)	40,0	33,3	20,1
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:			
	228 577	225 328	
Shares deemed to be issued for no consideration in respect of:			
Employee options	12 066	11 291	
Weighted average number of ordinary shares in the calculation of diluted earnings per share	240 643	236 619	
18. Group net asset value per share (cents per share)			
Equity (R'000)	446 768	354 247	
Other Intangible assets (R'000)	39 130	32 911	
Goodwill (R'000)	102 287	62 501	
Weighted average number of shares in issue ('000)	228 577	225 328	
Group net asset value per share (cents)	195	157	24,2
Tangible group net asset value per share (cents)	134	115	16,5

Notes to the group financial statements *(continued)*

	2016 R'000	2015 R'000
19. Notes to the statement of cash flows		
19.1 Cash generated from operations		
Profit before taxation	91 168	76 723
Interest income	(711)	(297)
Dividend income	(720)	(1 700)
Finance costs	26 489	17 250
Adjusted for non-cash items:		
Gain on disposal of property, plant and equipment	(121)	(809)
Depreciation and amortisation of non-financial assets	17 476	12 910
Equity-settled share-based payments	1 536	761
Shares issued	1 872	–
Other	–	61
	136 989	104 899
19.2 Taxation paid		
Charged to profit or loss	735	758
Adjusted for deferred tax	(2 400)	(520)
Movement in taxation balance	221	454
	(1 444)	692
19.3 Working capital changes		
Change in trade and other receivables	(52 182)	(69 404)
Change in inventories	1 369	(1 026)
Change in trade and other payables	10 262	4 363
	(40 551)	(66 067)
19.4 Net cash flow on acquisition of business combinations		
Net cash outflow on the acquisition of subsidiaries (refer to note 29.1.5)	(39 381)	–
Net cash outflow on the acquisition of subsidiaries (refer to note 29.2.5)	(2 500)	–
Net cash outflow on the acquisition of subsidiaries – prior year acquisition	–	(14 640)
	(41 881)	(14 640)
19.5 Cash and cash equivalents		
Bank and cash balances (refer to note 8)	75 129	13 064
	75 129	13 064

20. Segment reporting

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

- **Staffing and Recruitment:** Comprises the provision of staff and labour outsourcing solutions and recruitment and specialist staffing, which includes permanent and temporary placements, ad-response handling, executive search and the importing and exporting of skills.
- **Training and Consulting:** Comprises the provision of industry and job-specific skills assessments and training interventions to business and their employees across all industry sectors.
- **Employee Health Management:** Comprises the provision of a comprehensive range of occupational and primary health management services and assistance and wellness services.
- **Financial and Lifestyle Products:** Comprises the provision of a range of lifestyle products and support services to employees and their families.
- **Process Outsourcing:** Comprises the delivery of productive and functional business process outsourcing solutions, including the statutory and legal elements associated therewith.

20. Segment reporting (continued)

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

	Staffing and recruit- ment R'000	Training and consulting R'000	Employee health manage- ment R'000	Financial and lifestyle products R'000	Process out- sourcing R'000	Shared services and central costs R'000	Consoli- dation entries R'000	Total R'000
2016								
Segment revenues	2 160 288	88 383	39 508	93 490	141 736	–	–	2 523 405
Inter-segment revenue	1 614	16 361	–	4 026	12 734	–	(34 735)	–
Cost of sales	(1 702 335)	(43 862)	(13 628)	(30 927)	(130 224)	(3 449)	–	(1 924 425)
Inter-segment cost of sales	(1 616)	–	–	(4 026)	(12 360)	–	18 002	–
Operating costs	(284 660)	(35 704)	(22 884)	(48 708)	(9 230)	(77 357)	16 733	(461 810)
Other income	–	–	–	720	–	–	–	720
EBITDA	173 291	25 178	2 996	14 575	2 656	(80 806)	–	137 890
Depreciation and amortisation of non-financial assets	(3 691)	(870)	(865)	(2 177)	(108)	(4 874)	(4 891)	(17 476)
Segment operating profit	169 600	24 308	2 131	12 398	2 548	(85 680)	(4 891)	120 414
Capital expenditure	21 548	1 591	617	3 397	65	–	–	27 218
Segment total assets	402 977	79 401	2 883	221 954	5 145	174 790	–	887 150
Segment total liabilities	(54 217)	(64 249)	(2 915)	(237 202)	(4 537)	(76 262)	–	(440 382)
Net segment assets	348 760	15 152	(32)	(15 248)	608	97 528	–	446 768
2015								
Segment revenues	1 665 232	48 210	36 591	69 710	130 028	–	–	1 949 771
Inter-segment revenue	3	5 969	–	9 414	–	–	(15 386)	–
Cost of sales	(1 314 678)	(23 606)	(14 915)	(21 855)	(119 880)	–	–	(1 494 934)
Inter-segment cost of sales	–	–	–	(6 778)	–	–	6 778	–
Operating costs	(213 790)	(26 693)	(18 894)	(37 093)	(7 306)	(54 783)	8 608	(349 951)
Other income	–	–	–	1 700	–	–	–	1 700
EBITDA	136 767	3 880	2 782	15 098	2 842	(54 783)	–	106 586
Depreciation and amortisation of non-financial assets	(2 799)	(741)	(671)	(2 622)	(93)	(5 984)	–	(12 910)
Segment operating profit	133 968	3 139	2 111	12 476	2 749	(60 767)	–	93 676
Capital expenditure	2 084	17 059	2 251	3 343	46	6 277	–	31 060
Segment total assets	311 680	76 034	3 208	166 435	17 152	113 024	–	687 533
Segment total liabilities	(18 873)	(62 162)	(2 776)	(174 910)	(16 692)	(57 873)	–	(333 286)
Net segment assets	292 807	13 872	432	(8 475)	460	55 151	–	354 247

Notes to the group financial statements *(continued)*

	2016 R'000	2015 R'000
21. Leases		
Operating leases as lessee		
The group's non-cancellable operating lease commitments are as follows:		
Minimum future lease payments due:		
Not later than 1 year	5 543	4 532
Later than 1 year and not later than 5 years	5 065	2 605
	10 608	7 137

Lease payments recognised as an expense during the year amount to R35 million (2015: R30,8 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	2016 R'000	2015 R'000
22. Financial instruments			
22.1 Categories of financial instruments			
Financial assets			
Available-for-sale financial assets			
Non-current financial assets:		2 709	2 933
Listed shares	5	2 309	2 533
Unlisted shares	5	400	400
Loans and receivables		684 227	522 100
Financial trade and other receivables	6	609 098	509 010
Cash and cash equivalents	8	75 129	13 090
Net gain on loans and receivables		711	242
		687 647	525 275
Financial liabilities			
Financial liabilities measured at amortised cost			
Non-current:			
Borrowings	10	9 681	24 076
Current:			
Borrowings	10	259 960	209 989
Financial trade and other payables	11	52 823	67 653
Net gain on financial liabilities measured at amortised cost		1 402	1 583
Financial liabilities measured at fair value			
Non-current:			
Contingent consideration relating to business combination	10	21 159	14 759
Current:			
Contingent consideration relating to business combination	10	23 897	7 213
		368 922	325 273

22. Financial instruments (*continued*)

22.1 *Categories of financial instruments (continued)*

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.

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 R259 million (2015: R215 million). Details of the interest rates payable are set out in notes 10 and 12.

Sensitivity of profit to a reasonably possible change in interest rates of $\pm 1\%$ is illustrated by the following table:

	Profit for the year	
	R'000 + 1%	R'000 - 1%
31 December 2016	(3 039)	3 039
31 December 2015	(1 761)	1 761

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)*

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 2016	143	(143)	–	–
31 December 2015	127	(127)	–	–

Given buoyant global equity markets, management's view is that the equity investment may increase in value during the 2017 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:

	2016 R'000	2015 R'000
Net trade receivables	420 125	355 444
Other receivables	17 437	12 816
Net advances	171 536	139 960
Cash and cash equivalents	75 129	13 064
	684 227	521 284

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 is 30 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 micro loans 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 NCA is assessed.

At the reporting date, no customers represented 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 R52,6 million (2015: R38,8 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.

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:

	2016 R'000	2015 R'000
60 – 90 days	31 483	10 953
90 – 120 days	8 879	8 983
120+ days	12 286	18 913
	52 648	38 849

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

Included in the group's net advances are advances with a carrying amount of R114,6 million (2015: R96 million) which are past due at reporting date for which the group has not provided any impairment, as these amounts are considered to be recoverable.

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.

Notes to the group financial statements *(continued)*

23. Financial risk management *(continued)*

23.4 Liquidity risk management *(continued)*

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
2016				
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	–	–	–
	51 258	269 401	30 840	–
2015				
Loan on treasury shares	–	–	9 112	–
Bank loans	192 439	–	–	–
Instalment sale liabilities	463	463	1 534	–
Amount due for acquisition of subsidiary	2 458	4 755	14 759	–
Trade and other payables	38 105	–	–	–
	41 052	197 657	25 405	–

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 2015.

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.

24. Capital management (*continued*)

The gearing ratio for the reporting periods under review was as follows:

	2016 R'000	2015 R'000
Long and short-term borrowings	314 697	234 065
Cash and cash equivalents	(75 129)	(13 064)
Net debt	239 568	221 001
Total equity	446 768	354 247
Net debt-to-equity ratio	0,54	0,62
Total assets	887 150	687 507
Net-debt-to-assets ratio	0,27	0,36

25. Related-party transactions

No transactions between the company and its subsidiaries have occurred.

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:

	2016 R'000	2015 R'000
Wellington Property Investments Proprietary Limited*	14 006	9 458
<i>Relationship:</i>		
Director has significant influence		
<i>Type and term of transaction:</i>		
Operating lease rentals paid monthly, in line with lease agreement		
Vunani Capital Proprietary Limited	107	114
<i>Relationship:</i>		
Shareholder		
<i>Type and term of transaction:</i>		
Designated advisors' fees paid in terms of service level agreement		
Hunts Attorneys	3 557	3 056
<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 word and advise on group's behalf		
Guardrisk Insurance Company Limited	2 464	2 785
<i>Relationship:</i>		
Cell captive arrangement (refer to note 25.3)		
<i>Type and term of transaction:</i>		
Insurance premium paid monthly to cell captive in line with policy		
Force Holdings Proprietary Limited	–	13 610
<i>Relationship:</i>		
Shareholder		
<i>Type and term of transaction:</i>		
Sale of trade and other receivables as per agreement between parties		
Monty Legal Consultants Proprietary Limited	454	151
<i>Relationship:</i>		
Entity controlled by shareholder		
<i>Type and term of transaction:</i>		
Advisors' fees in terms of business acquisitions		

* During the year rental improvements took place at 11 Wellington Road, and 13 Wellington Road was acquired by Wellington Property Investments Proprietary Limited, and let to Workforce Holdings replacing other operating rentals with third parties.

Notes to the group financial statements *(continued)*

	2016 R'000	2015 R'000
25. Related-party transactions <i>(continued)</i>		
25.2 Related-party loans		
Amounts due from/(payable to) related parties are as follows:		
Force Holdings Proprietary Limited	–	(47)
<i>Relationship:</i> Shareholder		
Simgarvan Investments Proprietary Limited	(7 711)	(7 783)
<i>Relationship:</i> Company controlled by a director of the group		
Hunts Attorneys	162	162
<i>Relationship:</i> Director with an interest in a legal practice – RS Katz		

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 lenders of the group's micro funded 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 lenders.

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 a retained earnings of R636 308 (2015: R994 981) which the group can access through a dividend as and when liquidity ratios allow.

The entity is funded with a contribution to equity to the amount of R400 000 as disclosed under note 5 as "Unlisted shares at cost", as well as contributions by lenders and customers, 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.

	2016 R'000	2015 R'000
Assets of cell captive	436	312
Current liabilities of cell captive	(741)	(577)

	% holding
25.4 Subsidiaries	
The company's directly owned subsidiaries are as follows:	
Direct subsidiaries	
The Workforce Group Proprietary Limited	100
Allmed Healthcare Professionals Proprietary Limited	100
Debtworx Proprietary Limited	100
Rapitrade 465 Proprietary Limited	100
Telebest Holdings Proprietary Limited	100
Programmed Process Outsourcing Proprietary Limited	100
Workforce Outsourcing Proprietary Limited	100
Interchange Business Consulting Proprietary Limited	100

25. Related party transactions (*continued*)

25.4 Subsidiaries (*continued*)

Details of the subsidiaries indirectly held are set out below:

Indirect subsidiaries

Babereki Employee Support Services Proprietary Limited	100
Essential Employee Benefits Proprietary Limited	100
Fads Proprietary Limited	100
Nursing Emergencies Proprietary Limited	100
Khetha Staffing Services Proprietary Limited	100
Only The Best Proprietary Limited	100
Pha Phama Africa Staff Services Proprietary Limited	100
Teleresources Proprietary Limited	100
Top Level Personnel Proprietary Limited	100
Training Force Proprietary Limited	100
Training Force Namibia Proprietary Limited	100
Molapo Quyn Outsourcing Proprietary Limited	100
Quyn International Outsourcing Proprietary Limited	100
Sizuluntu Staffing Solutions Proprietary Limited	48
Quyn HR Consulting Proprietary Limited	100
Quyn Payroll Services Proprietary Limited	100
Workforce Finance Proprietary Limited	100
Workforce Health Care Proprietary Limited	50
Jet Talent Proprietary Limited	50
Workforce Software Proprietary Limited	100
Qunu Workforce Proprietary Limited	49
Prisma Training Solutions Proprietary Limited	100
Workforce Worldwide Staffing Proprietary Limited	100

The group owns 50% of Workforce Health Care Proprietary Limited, 48% of Sizuluntu Staffing Solutions Proprietary Limited, 49% of Qunu Workforce Proprietary Limited and 50% of Jet Talent Proprietary Limited. However, based on the contractual agreements between the group and other investors, the relevant activities of Workforce Health Care Proprietary Limited and Jet Talent 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 (2014: 14 370 000) shares in Workforce Holdings Limited.

The cost of these shares amounted to R7 615 838 (2015: R7 615 838).

Notes to the group financial statements *(continued)*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 remuneration R	Medical contributions R	Allowances R	Retirement contributions R	Share incentive payments R	Bonus and profit share R	Total R
2016							
Executive directors							
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
Non-executive directors							
M Anderson	106 883	–	–	–	–	–	106 883
L Letlape	55 400	–	–	–	–	–	55 400
JR Macey	275 840	–	–	–	–	–	275 840
K Vundla	132 960	–	–	–	–	–	132 960
Prescribed officers							
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
	11 214 910	319 781	1 137 472	662 865	1 178 005	3 813 621	18 326 654
2015							
Executive directors							
LH Diamond**	2 012 124	39 786	528 473	211 641	–	100 000	2 892 024
RS Katz	2 227 167	111 756	202 153	–	–	130 000	2 671 076
WP van Wyk	1 358 960	–	12 000	143 049	–	150 000	1 664 009
Non-executive directors							
M. Anderson	113 877	–	–	–	–	–	113 877
L Letlape	150 213	–	–	–	–	–	150 213
JR Macey	145 153	–	–	–	–	–	145 153
K Vundla	118 663	–	–	–	–	–	118 663
Prescribed officers							
Employee A	717 197	38 472	219 285	74 519	–	1 751 044	2 800 517
Employee B	1 670 649	43 746	25 294	173 889	–	872 195	2 785 773
Employee C	1 686 922	64 622	151 691	175 586	–	65 000	2 143 861
	10 200 925	298 422	1 138 896	778 684	–	3 068 239	15 485 166

* Appointed 15 August 2016.

** Resigned during December 2015.

Compensation paid to key management personnel has all been done through The Workforce Group Proprietary Limited.

Prescribed officers above are not necessarily the same employees, year-on-year.

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
2016		
RS Katz	–	65 860
PM Froom	339	–
WP van Wyk	833	–
M Anderson*	–	*
	1 172	65 860
2015		
RS Katz	–	65 860
LH Diamond	364	–
WP van Wyk	569	–
M Anderson*	–	*
	933	65 860

* This director has an interest in Vunani Capital Proprietary Limited, which owns 42 900 000 shares in the company.

26. 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 R9 555 918 (2015: R19 296 061). The directors believe, based on past history, that the likelihood of such claims being successful are minimal.

27. Share-based payments

27.1 Equity-settled share-based payments

Details of the employee share appreciation rights scheme

The group has a share appreciation rights 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.

	Number	Vest date	Grant date	Expiry date	Exercise price	Fair value at grant date	Fair value total
Share appreciation rights issued on:							
25 October 2016	14 298 000	25 Oct 2019	25 Oct 2016	28 Feb 2019	155 cents	190 cents	13 793 059
22 June 2015	5 435 000	30 Jun 2018	22 Jun 2015	28 Feb 2018	120 cents	25 cents	1 368 013
1 December 2013	8 900 000	31 Dec 2016	1 Dec 2013	28 Feb 2017	50 cents	8 cents	770 921

Notes to the group financial statements *(continued)*

	Number	
	2016	2015
27. Share-based payments <i>(continued)</i>		
27.1 Equity-settled share-based payments <i>(continued)</i>		
Included in the above allocation, the following SARS have been granted to directors:		
PM Froom – appointed 15 August 2016	5 325 000	–
WP van Wyk	750 000	400 000

Fair value of the share appreciation rights granted during the year

The fair value of the share appreciation rights is R16 790 488 (2015: R2 997 429) of which R1 535 522 (2015: R761 447) 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.

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 till the option is exercised.

The rights were valued using the Black-Scholes-Merton model. Where relevant the expected life used in the model are behavioural considerations and effects of early exercise. Expected volatility over the past three years:

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%

As part of the scheme, the group expects to withhold and transfer over taxes to the amount of R3 010 939 over the next year and R5 021 152 over the next two to five years.

	Weighted average exercised price 2016		Weighted average exercised price 2015	
	Number of options 2016		Number of options 2015	
Movements in share options during the year				
Balance at the beginning of the year	24 094 000	0,66	18 659 000	0,5
Granted during the year	14 298 000	1,55	5 435 000	1,2
Exercised during the year	(5 225 000)	0,5	–	–
Forfeited during the year	(7 924 000)	0,5	–	–
Closing balance at the end of the year	25 243 000	1,16	24 094 000	0,66

	Number exercised	Exercised date	Share price at exercised date
Share options exercised during the year			
Granted on 5 December	9 795 000	1 April 2016	1,26

27. Share-based payments (continued)

27.1 Equity-settled share-based payments (continued)

Charge to profit and loss (note 16)

	2016 R'000	2015 R'000
2016 option	843 959	–
2015 option	456 004	266 003
2013 option	235 559	256 974
2012 option	–	238 471
	1 535 522	761 448

27.2 Cash-settled share based payments

Details of the cash-settled share based payment award granted to a director

A cash award, equivalent to the value of 4 000 000 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 000 000 has been recognised in profit and loss.

The estimated fair value of each share is R1,45 which is equal to the share price at grant date, but subject to the minimum value to be applied in the settlement at the award. Fair value at year-end amounted to R1 000 000.

28. Retirement benefits

The group operates a defined contribution provident fund. As the scheme is a defined contribution scheme, no actuarial valuation is required as no actuarial shortfall can arise in the future. It is a mandatory requirement for all new permanent employees to join the fund. Employees contribute a percentage of their salaries and contributions are expensed as incurred (refer to note 16).

	Date of acquisition	Portion of business acquired %	Consideration transferred R'000
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29. Business combinations

29.1 Business combinations – Quyn Group

29.1.1 Business acquired

2016

Molapo Quyn Outsourcing Proprietary Limited	1 February 2016	100
Quyn International Outsourcing Proprietary Limited	1 February 2016	100
Sizuluntu Staffing Solutions Proprietary Limited	1 February 2016	48
Quyn HR Consulting Proprietary Limited	1 February 2016	100
Quyn Payroll Services Proprietary Limited	1 February 2016	100

76 851

Notes to the group financial statements *(continued)*

29. Business combinations *(continued)*

29.1 Business combinations – Quyn Group *(continued)*

29.1.1 Business acquired *(continued)*

Principal activity

Provision of outsourced human resources (“HR”) services including temporary employment services (“TES”), HR outsourcing, payroll bureau services, HR and industrial relations (“IR”) consulting and permanent placements.

The Quyn Group was acquired to give Workforce an increased presence in the provision of outsourced technical skills.

	2016 R'000
29.1.2 Consideration transferred	
Cash	50 601
Consideration liability	26 250
Total	76 851
29.1.3 Contingent liability	
Second payment	–
Third payment	–
Fourth payment	–
Fifth payment	18 750
Sixth payment	7 500
Total additional amount	26 250

Consideration liability

In terms of the acquisition of the Quyn Group, the group is required to pay the balance of the consideration liability of R26,25 million in two instalments, being a payment of R18,75 million on 1 February 2017 and a payment of R7,5 million on 1 February 2018. These 2 payments will comprise the fifth and sixth payments made in order to discharge the amount paid by the group for the Quyn Group. The first four payments for the Quyn Group were made on 18 February 2016, 1 May 2016, 1 August 2016 and 1 November 2016. All contingent requirements for these payments were met.

Acquisitions-related costs amounting to R138 750 have been excluded from the consideration transferred and have been recognised as an expense in the profit or loss in the current year, within the “other expenses” line item.

	R'000
29.1.4 Assets acquired and liabilities recognised at the date of acquisition	
Non-current assets	
Property, plant and equipment	1 389
Intangible assets	6 180
Current assets	
Trade and other receivables	39 890
Cash and cash equivalents	11 220
Current tax	1 074
Current liabilities	
Trade and other payables	(16 490)
Taxation payable	(2 245)
Deferred tax liability	(1 730)
Financial liability	(1 148)
Total	38 140

29. Business combinations (continued)

29.1 Business combinations – Quyn Group (continued)

29.1.4 Assets acquired and liabilities recognised at the date of acquisition (continued)

The receivables acquired (principally trade receivables) in this transaction with a fair value of R39 890 000, is equivalent to the gross contractual amount. All contractual cash flows are expected to be collected.

	R'000
29.1.5 <i>Net cash outflow on acquisition of subsidiaries</i>	
Consideration paid in cash	50 601
Less: Cash and cash equivalent balances acquired	(11 220)
Total	39 381
29.1.6 <i>Non-controlling interests</i>	
The non-controlling interest (52% ownership interest in Sizuluntu Staffing Solutions Proprietary 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 amounted to R422 868.	
29.1.7 <i>Goodwill arising on acquisition</i>	
Consideration transferred	76 851
Plus: Non-controlling interest	423
Less: Fair value of identifiable net assets	(38 140)
Goodwill arising on acquisition	39 134

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

29.1.8 Impact of acquisitions on the results of the group

Included in the group profit for the year is R3,2 million attributable to the additional business generated by the Quyn Group. Revenue for the year includes R212 million in respect of the Quyn Group.

Had these business combinations been effective at 1 January 2016, the revenue of the group from continuing operations would have been R235 739 341 and the profit for the year from continuing operations would have been R4 698 929. 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. Quyn performed below expectations in 2016 due to a delay in the roll out of infrastructure projects.

	Date of acquisition	Portion of business acquired %	Consideration transferred R'000
29.2 <i>Business combinations – Gcubed</i>			
<i>Business acquired</i>			
2016			
Gcubed Boutique Recruitment	1 May 2016	100	3 900

Principal activity

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

Gcubed was acquired in order to increase Workforce's skills base and to enhance its permanent placement and executive search capability.

Notes to the group financial statements *(continued)*

	R'000
29. Business combinations <i>(continued)</i>	
29.2 Business combinations – Gcubed <i>(continued)</i>	
29.2.2 Consideration transferred	
Cash	2 500
Contingent consideration arrangement	1 400
Total	3 900
29.2.3 Contingent consideration	
Second payment	1 400
Total additional amount	1 400
The cash component above was paid on 5 August 2016. Under the contingent consideration arrangement, the group is required to pay up to R1,4 million at the end of a one-year period commencing from 1 May 2016, subject to the achievement of PAT of between R714 000 and R1 500 000 during this period. The PBIT for the eight-month period ended 31 December 2016 was R206 000, and the directors do consider it probable that an additional payment will be required.	
29.2.4 Assets acquired and liabilities recognised at the date of acquisition	
Non-current assets	
Property, plant and equipment	28
Intangible assets	4 000
Current assets	
Trade and other receivables	341
Non-current liabilities	
Deferred tax liability	(1 121)
Total	3 248
29.2.5 Net cash outflow on acquisition of subsidiaries	
Consideration paid in cash	2 500
Less: Cash and cash equivalent balances acquired	–
Total	2 500
The receivables acquired (principally trade receivables) in this transaction with a fair value of R341 000, is equivalent to the gross contractual amount. All contractual cash flows are expected to be collected.	
29.2.6 Goodwill arising on acquisition	
Consideration transferred	3 900
Less: Fair value of identifiable net assets	(3 248)
Goodwill arising on acquisition	652
Goodwill arose on the acquisition of Gcubed 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 Gcubed acquisition is expected to be deductible for tax purposes.	

29. Business combinations (*continued*)

29.2 Business combinations – Gcubed (*continued*)

29.2.6 Goodwill arising on acquisition

Impact of acquisitions on the results of the group

Included in the group profit for the year is R206 000 attributable to the additional business generated by Gcubed. Revenue for the year includes R3,9 million in respect of Gcubed.

Had these business combinations been effective at 1 January 2016, the revenue of the group from continuing operations would have been R6,6 million and the profit for the year from continuing operations would have been R353 000. 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.

	Date of acquisition	Portion of business acquired %	Consideration transferred R'000
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30. Subsequent events

30.1 Business acquired

KBC Holdings Proprietary Limited

1 January 2017

100

47 000

Principal activity

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

KBC was acquired as it complements the group's existing technical training offerings and its temporary employment 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
--	-------

30.2 Consideration transferred

Cash

22 547

Contingent consideration arrangement

24 453

Total

47 000

30.3 Contingent consideration

Second payment

7 516

Third payment

7 516

Fourth payment

9 421

Total additional amount

24 453

Under the contingent consideration arrangement for KBC, the group is required to pay up to a maximum of R24,453 million over a two-year period commencing on 1 January 2017 and ending on 31 December 2018 and will be subject to KBC achieving agreed upon profit after tax figures for the years ending 31 December 2017 and 31 December 2018. It is anticipated that the second payment of up to R7,516 million will take place on 31 March 2018 and the third payment of up to R7 516 million and a possible fourth payment of up to R9 421 million will take place on 31 March 2019.

Acquisitions-related costs amounting to R91 200 have been excluded from the consideration transferred and have been recognised as an expense in the profit or loss in the current year, within the "other expenses" line item.

Notes to the group financial statements *(continued)*

	R'000
30. Subsequent events <i>(continued)</i>	
30.4 Assets acquired and liabilities recognised at the date of acquisition	
Non-current assets	17 686
Property, plant and equipment	4 120
Investment in associate	163
Intangible assets	13 403
Current assets	12 625
Trade and other receivables	4 408
Cash and cash equivalents	7 940
Inventory	277
30.5 Current liabilities	(6 785)
Trade and other payables	(6 581)
Taxation payable	(204)
Non-current liabilities	
Deferred tax liability	(4 098)
Total	19 428
The receivables acquired (principally trade receivables) in this transaction with a fair value of R4 408 000, is equivalent to the gross contractual amount. All contractual cash flows are expected to be collected.	
30.6 Net cash outflow on acquisition of subsidiaries	
Consideration paid in cash	22 547
Less: Cash and cash equivalent balances acquired	(7 940)
Total	14 607
Goodwill arising on acquisition	
Consideration transferred	47 000
Less: Fair value of identifiable net assets	(19 428)
Goodwill arising on acquisition	27 572

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

Had these business combinations been affective at 1 January 2016, the revenue of the group from continuing operations would have been R58,993 million and the profit for the year from continuing operations would have been R8 million. 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.

	Date of acquisition	Portion of business acquired %	Maximum Consideration transferred R'000
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30. Subsequent events (*continued*)

30.7 *Subsequent events*

Oxyon Human Capital Solutions

Principal activity

Oxyon provides temporary employment services and permanent placement recruitment services

1 February 2017 **100** **9 000**

Day-Click Limited

Principal activity

Day-Click provides temporary employment services and permanent placement recruitment services in Mauritius

1 March 2017 **76** **484**

Oxyon was acquired in order to expand Workforce's offering in the skilled artisan and technical segments of the engineering industry. Day-Click was acquired in order to give Workforce an entry point into the Mauritian market, where business opportunities have been identified.

	Oxyon Human Capital Solutions R'000	Day-Click Limited R'000	Total R'000
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30.8 *Consideration transferred*

Cash	6 000	484	6 484
Contingent consideration arrangement	3 000	–	3 000
Total	9 000	484	9 484

30.9 *Contingent consideration*

Contingent payment	3 000	–	3 000
Total additional amount	3 000	–	3 000

Under the contingent consideration arrangement for Oxyon, the group will be required to pay an amount of R3 million subject to the Oxyon business achieving an agreed upon performance target for the 12-month period commencing 1 February 2017. It is anticipated that this payment will be made on 31 March 2018.

Acquisitions-related costs amounting to R115 425 (Oxyon Human Capital Solutions Proprietary Limited R94 050 and Day-Click Proprietary Limited R21 375) have been excluded from the consideration transferred and have been recognised as an expense in the profit or loss in the current year, within the "other expenses" line item.

Notes to the group financial statements *(continued)*

	Oxyon Human Capital Solutions R'000	Day-Click Limited R'000	Total R'000
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30. Subsequent events *(continued)*30.9 *Contingent consideration (continued)*30.9.1 *Assets acquired and liabilities recognised at the date of acquisition*

Non-current assets	19	38	57
Property, plant and equipment	19	38	57
Current assets	–	283	283
Trade and other receivables	–	12	12
Cash and cash equivalents	–	271	271
Total assets	19	321	340
Non-current liabilities	–	(594)	(594)
Borrowings	–	(594)	(594)
Current liabilities	–	(12)	(12)
Trade and other payables	–	(12)	(12)
Total	19	(285)	(266)

30.9.2 *Net cash outflow on acquisition of subsidiaries*

Consideration paid in cash	6 000	484	6 484
Total	6 000	484	6 484

30.9.3 *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 amounts to (R68 142).

	Oxyon Human Capital Solutions R'000	Day-Click Limited R'000	Total R'000
30.9.4 <i>Goodwill arising on acquisition</i>			
Consideration transferred	9 000	484	9 484
Plus: Non-controlling interest	–	(68)	(68)
Less: Fair value of identifiable net assets	(19)	(285)	(266)
Goodwill arising on acquisition	8 981	837	9 818

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

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Shareholder information

6



Kenneth Polori Systems support administrator (The Workforce Group)

Kenneth (29) lives in the Johannesburg CBD. In his spare-time he loves to play table tennis. He started at Workforce as an information technology ("IT") intern in 2010.



I started an internship in the Workforce IT department in 2010 as an IT technician. I had done courses in IT and very much wanted a career in the IT sector but it was difficult to get a foot in the door. I had been doing retail work and had started to resign myself to a career in retail since I wasn't having much luck finding a way into the IT industry. That's when I got the opportunity to do an IT internship with Workforce. The internship was my first IT job and my first job in a corporate environment. I learnt a lot! When you're studying you mostly learn in theory but in the workplace it suddenly becomes more practical. I couldn't even connect a switch when I first started, now I deal with the group's systems and software.

After my internship ended, there wasn't an available position in the IT department at the time but I was lucky to be offered a permanent position in the wages department. Two years ago, I approached Martin van der Spuy from the systems support department about joining his department. My boldness paid off because he took me on as a systems support administrator. Workforce has taught me so much, including to have confidence in myself and my abilities. What I've particularly learnt about the group is that there is always something new and challenging happening and with passion and determination you can change a day's work into an incredible experience.

Analysis of shareholders

as at 31 December 2016

	Number of holders	% of total shareholders	Number of shares	% of total issued share capital
Analysis of shareholdings				
1 – 1 000	93	36.61	43 140	0.02
1 001 – 10 000	78	30.71	394 620	0.16
10 001 – 100 000	47	18.50	2 106 014	0.86
100 001 – 1 000 000	28	11.02	9 193 019	3.77
1 000 001 – and more	8	3.15	231 994 550	95.18
Totals	254	100.00	243 731 343	100.00
Major shareholders				
(5% and more of the shares in issue)				
Force Holdings Proprietary Limited			92 920 000	38.12
Little Kittens Proprietary Limited			65 860 000	27.02
Veibcept Proprietary Limited			42 900 000	17.60
Pha Phama Africa Investments Proprietary Limited			14 370 000	5.90
Shareholder spread				
Non-public:	6	2.36	224 956 860	78.22
Directors	3	1.18	73 984 049	27.38
10% or more of issued capital	2	0.79	135 820 000	44.62
Treasury shares	1	0.39	15 152 811	6.22
Public	248	97.64	18 774 483	21.78
Totals	254	100	243 731 343	100.00
Distribution of shareholders				
Individuals	221	87.01	10 868 918	4.46
Pension funds	11	4.33	774 287	0.32
Other managed funds	1	0.39	150 000	0.06
Other companies and corporate bodies	21	8.27	231 938 138	95.16
Totals	254	100	243 731 343	100

Share price performance 2016 (Rand)



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

Shareholders' diary

Financial year-end	31 December 2016
Summarised results released on SENS	23 March 2017
Integrated report posted to shareholders	31 March 2017
Annual general meeting	4 May 2017
Half-year interim report	Mid-August 2017

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 Thursday, 4 May 2017 at 10:00 ("**the annual general meeting**").

Purpose

The purpose of the meeting is to transact the business set out in this notice of annual general meeting ("**AGM notice**") by considering and, if deemed fit, passing, with or without modification, the ordinary and special resolutions hereunder.

Record date, attendance and voting

	2017
Record date in order to be eligible to receive the AGM notice	Friday, 24 March
AGM notice posted to shareholders	Friday, 31 March
Last date to trade in order to be eligible to vote at the annual general meeting	Monday, 24 April
Record date in order to be eligible to vote at the annual general meeting	Friday, 28 April
Last day to lodge forms of proxy for the annual general meeting (by 10:00)	Tuesday, 2 May
Annual general meeting (at 10:00)	Thursday, 4 May
Results of the annual general meeting released on SENS	Thursday, 4 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 are 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 Tuesday, 2 May 2017.
- 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 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 identification.

Agenda

- 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 2016 as set out in the company's integrated annual report 2016 of which this AGM notice forms part of; and

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 Philip Froom*

"Resolved that Philip Froom, who was appointed as chief executive officer of the company effective 15 August 2016, be and is hereby elected as director."

An abbreviated *curriculum vitae* in respect of Philip Froom may be viewed on page 44 of the integrated annual report of which this notice forms part.

2. *Ordinary resolution number 2: Confirmation of the appointment of Shelley Thomas*

"Resolved that Shelley Thomas, who was appointed as independent non-executive director of the company effective 5 December 2016, be and is hereby elected as director."

An abbreviated *curriculum vitae* in respect of Shelley Thomas may be viewed on page 45 of the integrated annual report of which this notice forms part.

Reason for ordinary resolutions 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 John Macey*

"Resolved that John Macey, who retires by rotation in terms of the memorandum of incorporation of the company and, being eligible and offering himself for re-election, be and is hereby re-elected as director."

An abbreviated *curriculum vitae* in respect of John Macey may be viewed on page 45 of the integrated annual report of which this notice forms part.

4. *Ordinary resolution number 4: Re-election of Mark Anderson*

"Resolved that Mark Anderson, who retires by rotation in terms of the memorandum of incorporation of the company and, being eligible and offering himself for re-election, be and is hereby re-elected as director."

An abbreviated *curriculum vitae* in respect of Mark Anderson may be viewed on page 45 of the integrated annual report of which this notice forms part.

Reason for ordinary resolutions numbers 3 and 4

The reason for ordinary resolution numbers 3 and 4 is that article 36 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.

Notice of annual general meeting *(continued)*

6. *Ordinary resolution number 6: Appointment of John Macey as a member of the audit and risk committee*

“Resolved that John Macey 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 John Macey may be viewed on page 45 of the integrated annual report of which this notice forms part.

7. *Ordinary resolution number 7: Appointment of Kyansambo Vundla as a member and chairman of the audit and risk committee*

“Resolved that Kyansambo Vundla 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 Kyansambo Vundla may be viewed on page 45 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 45 of the integrated annual report of which this notice forms part.

Reason for ordinary resolutions numbers 6 to 8

The reason for ordinary resolutions 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 philosophy*

“Resolved that the company’s remuneration philosophy, as set out in the remuneration report on pages 56 and 57 of the integrated annual report, be and is hereby approved by way of a non-binding advisory vote of shareholders of the company in terms of the King III Report on Corporate Governance.”

Reason for ordinary resolution number 9

The reason for ordinary resolution number 9 is that King III recommends that the remuneration policy of the company be endorsed through a non-binding advisory vote by shareholders at the annual general meeting of a company.

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 31 March 2017, 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.”

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 3 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 31 March 2017 on the terms more fully set out in ordinary resolution number 10 and subject to the further restrictions set out in ordinary resolution number 11 on the next page.

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 31 March 2017 (net of treasury shares being 15 152 811 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.”

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 11 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 this resolution number 11 must accordingly be read together with the 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.

Notice of annual general meeting *(continued)*

2. Special business

1. *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 2018:

	Recommended remuneration
Category	
Board member	R42 530 annual retainer R13 470 per meeting attended
Audit and risk committee	
Chairman	R12 730 per meeting attended
Member	R11 320 per meeting attended
Remuneration committee	
Chairman	R11 320 per meeting attended
Member	R11 320 per meeting attended
Social and ethics committee	
Chairman	R11 320 per meeting attended

Reason 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 director 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.

2. *Special resolution number 2: Financial assistance to related and inter-related companies*

"Resolved that the board of directors of the group 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 of directors 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 of directors of the group 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.

3. *Special resolution number 3: 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 amounts as the directors may from time to time determine, but subject to the provisions of sections 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 of directors 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;
- re-purchases 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 applicants 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 for 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 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 JSE Listings Requirements*

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 128); and
- share capital of the company (page 100).

3. *For purposes of special resolution number 2, the board of directors of the company 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);
- the terms under which the financial assistance is proposed to be given are fair and reasonable to the company;
- 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 of directors 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 have 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

22 March 2017

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 Thursday, 4 May 2017 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 2016			
Ordinary resolution number 1: Confirmation of Philip Froom's appointment			
Ordinary resolution number 2: Confirmation of Shelley Thomas's appointment			
Ordinary resolution number 3: To re-elect John Macey as director			
Ordinary resolution number 4: To re-elect Mark Anderson as director			
Ordinary resolution number 5: Confirmation of auditor's re-appointment			
Ordinary resolution number 6: Appointment of John Macey to audit and risk committee			
Ordinary resolution number 7: Appointment of Kyansambo Vundla to audit and risk committee			
Ordinary resolution number 8: Appointment of Shelley Thomas to audit and risk committee			
Ordinary resolution number 9: Endorsement of remuneration philosophy			
Ordinary resolution number 10: Placing of unissued shares under the directors' control			
Ordinary resolution number 11: General authority to issue shares for cash			
Ordinary resolution number 12: Authority to action			
Special resolution number 1: Remuneration of non-executive directors			
Special resolution number 2: Financial assistance to related and inter-related companies			
Special resolution number 3: 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 2017

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 deems 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 Tuesday, 2 May 2017.
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.

Notes

[illegible]

Notes

[illegible]

Definitions and abbreviations

Allmed	Allmed Healthcare Professionals Proprietary Limited
AGM	Annual General Meeting
B-BBEE	Broad-based Black Economic Empowerment
Board	Board of directors of Workforce Holdings Limited
BUSA	Business Unity South Africa
CAPES	Confederation of Associations in the Private Employment Sector
Companies Act or the Act	The South African Companies Act 2008 (Act 71 of 2008), as amended
CSI	Corporate Social Investment
Day-Click	Day-Click Limited
Debtworx	Debtworx Proprietary Limited
DSO	Days sales outstanding
EAP	Economically active population
EBITDA	Earnings before interest, taxation, depreciation and amortisation
EEA	Employment Equity Amendment Act 47 of 2013
EME	Exempted micro enterprise
EPS	Earnings per share
ETI	Employment tax incentive
Gcubed	Gcubed Boutique Recruitment
Group	Workforce Holdings Limited and its subsidiaries
HEPS	Headline earnings per share
IFRS	International Financial Reporting Standards
ILO	International Labour Organisation
IPPs	Independent power producers
IIRC	International Integrated Reporting Committee
<IR>	International integrated reporting framework
IT	Information technology
JSE	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
LRA	Labour Relations Amendment Act 6 of 2014
KBC	KBC Holdings Proprietary Limited
King III	King III Report on Corporate Governance for South Africa, 2009
King IV	King IV Report on Corporate Governance for South Africa, 2016
KPIs	Key performance indicators
MOI	Memorandum of Incorporation
NAV	Net asset value
Nedlac	National Economic Development and Labour Council (South Africa)
NQF	National qualifications framework
OECD	Organisation for Economic Cooperation and Development
Oxyon	Oxyon Human Capital Solutions Proprietary Limited
POPI	Protection of Personal Information Act (Act 4 of 2013)
PPO	Programmed Process Outsourcing Proprietary Limited
Prisma	Prisma Training Solutions Proprietary Limited
Qunu	Qunu Workforce Proprietary Limited
QSE	Qualifying small enterprise
ROI	Return on investment
S12H	Additional deduction for learnership agreements in terms of Section 12 H of the Income Tax Act (Act 58 of 1962)
SAQA	South African Qualifications Authority
SARS	Share Appreciation Rights Scheme
SENS	The Securities Exchange News Service of the JSE
SETA	Sector Education and Training Authority
SLA	Service level agreement
Telebest	Telebest Holdings Proprietary Limited
TES	Temporary Employment Services
The Workforce Group	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
Workforce or the company	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 ^x exchange of the JSE



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