Uplifting people.
Growing business.

workforce
HOLDINGS LIMITED

Unaudited condensed interim financial results

for the six months ended 30 June 2019

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

Workforce at a glance

With a history that can be traced back to 1972, the Workforce group has grown from a labour provider into a large, progressive organisation with subsidiaries that provide an extensive range of innovative, integrated and diversified human capital solutions.

Our innovative and entrepreneurial culture creates a forward-thinking business environment in which cluster executives and their decentralised management teams have a great deal of autonomy to drive the growth and sustainability of the group.

What we do

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

Salient features of these results

Revenue increased by 7,7% to R1,53 billion
(2018: R1,42 billion)

Cash generated from operations increased by 28,5% to R48,5 million
(2018: R37,7 million)

EBITDA increased by 5,2% to R80 million
(2018: R76 million)

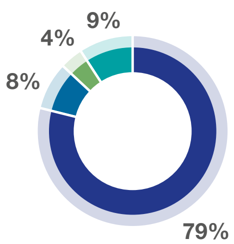
EPS decreased by 6,1% to 18,5 cents per share
(2018: 19,7 cents per share)

Positioned to benefit from diversification

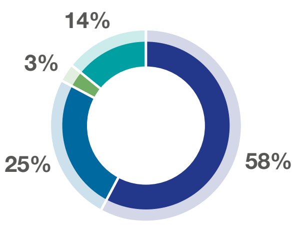
We continue to entrench our market position to benefit from our diversification in industry segments that we understand extremely well. Once again in this period our results show a sustainable level of organic growth and an improved EBITDA contribution from our clusters.

2019

Revenue

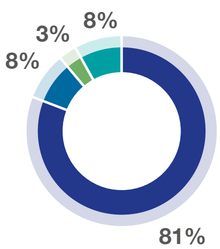


EBITDA

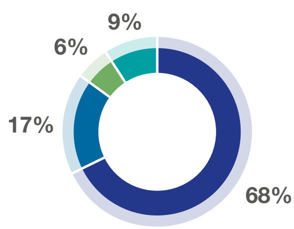


2018

Revenue



EBITDA



■ Staffing and outsourcing, recruitment and Africa ■ Training ■ Healthcare ■ Financial services

Structured for accelerated growth and diversification

Over the course of the last financial year, we realigned our diversification and growth strategy and formed clusters comprising the different business activities within the group and placed each cluster under the leadership of a cluster executive. This has resulted in improved collaboration between clusters, better operational oversight and better utilisation of resources.

In addition, the establishment of a group executive committee ("Exco") to support the chief executive officer in strategic decision-making, has become a catalyst for new thinking and augments our drive to achieve accelerated growth and diversification.

Staffing and Outsourcing

Recruitment

Africa

Training

Healthcare

Financial Services

Executive committee

- Ronny Katz
- Willie van Wyk
- Sean Momberg
- Steven Herscovitz
- Donald Houston-McMillan
- Dr Richard Malkin
- Jonathan Kruger
- Graham Emmett
- David Bloch
- Craig Katz
- Evelyn Vanassche
- Mamiki Matlawa

What differentiates us

- Entrepreneurial culture
- Technology-based innovative service solutions
- Diversified and integrated business model
- Strong customer relationships
- Extensive footprint
- Our people: intellectual capital, depth of management, committed workforce

Investment case

The group's primary goal is to build a sustainable business in order to generate wealth for all our stakeholders. For our shareholders, Workforce remains a sound investment for future growth.

47 years of operating experience in the South African marketplace shows stability.

Sustainable level of organic growth and an improved EBITDA contribution across segments.

Proven entrepreneurial culture with the ability to ensure brands that join Workforce are adequately supported by head office.

Well-defined and diversified offering reduces risk.

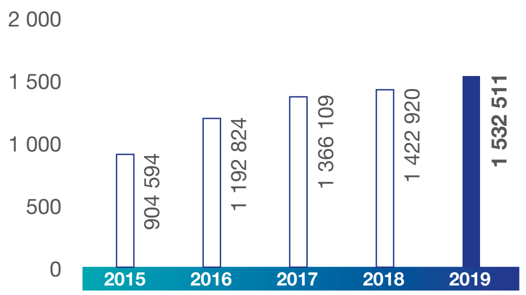
Infrastructure development in South Africa and Southern African Development Community ("SADC") countries enhances the growth potential of our core businesses.

Extremely experienced management team, which operates in a decentralised management structure.

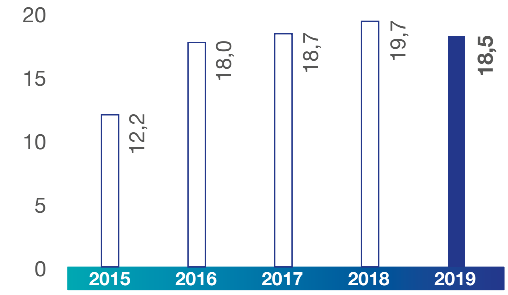
Cash flow generation is strong – there is a culture of reinvesting in the business to fund growth.

Performance indicators over time (five year review)

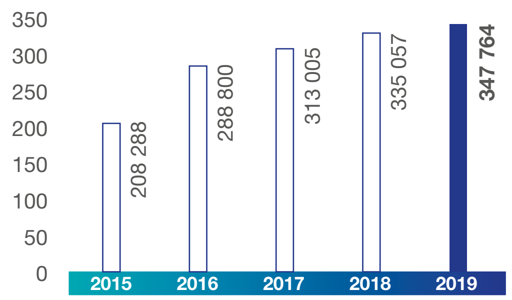
Revenue (R'000)



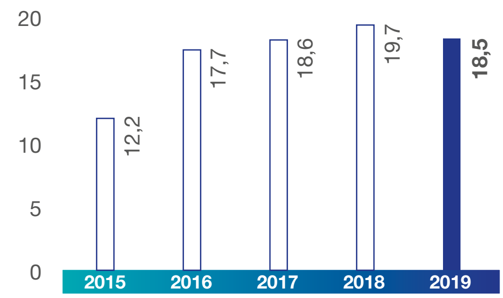
Earnings per share (cents)



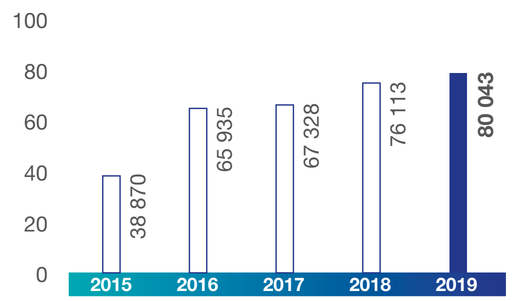
Gross profit (R'000)



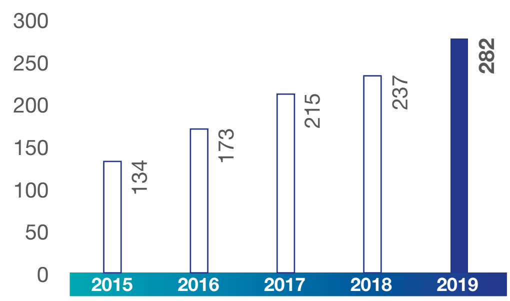
Headline earnings per share (cents)



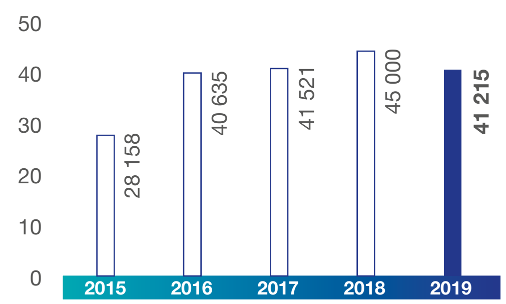
EBITDA (R'000)



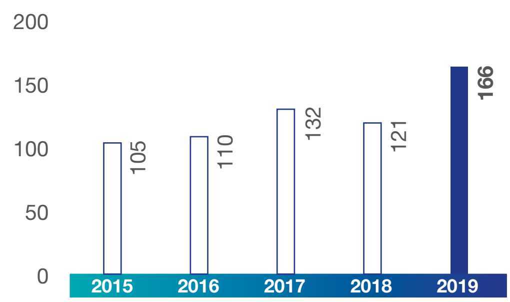
Net asset value per share (cents)



Profit after tax (R'000)



Net tangible asset value per share (cents)



Commentary

Vision becoming reality

Workforce continues to make excellent progress in realising its vision of being a diversified services company with various subsidiaries that provide an extensive range of innovative, integrated and diversified people solutions to all industry sectors in southern Africa. The group has a strong commitment to its core areas of competence, yet remains cognisant of the need to identify and expand into new areas for growth.

The establishment of a group Exco and the realignment of the diversification and growth strategy to form clusters of the different business activities and placing each cluster under the leadership of a cluster executive, has been a success. This has resulted in a level of collaboration between business divisions which we have not had before, better operational oversight and improved utilisation of resources.

The recently legislated minimum wage requirement in South Africa, which primarily impacts Workforce Staffing's business, had a minimal effect on turnover, but affected profitability negatively. Overall performance was also negatively affected by the overall subdued economic climate, the election effect and a general contraction in government spend on infrastructure.

Despite the aforementioned challenges and supported by the group's diversification strategy, the non-staffing components continue to represent a larger contribution than prior years. This is, in the current period, still the largest contributor to revenue and EBITDA, albeit off the back of a lower result in our staffing and outsourcing businesses. Uncertainty in the deeming provision had a negative knock-on effect on the staffing and outsourcing segment's growth in the first six months of the year.

Additional growth was recorded from the training cluster, primarily as a result of momentum from the previous year's organic growth, as well as a contribution from the Dyna acquisition, which includes a full six-month contribution versus only one month's contribution previously.

The additional investment in infrastructure and human capital benefitted the healthcare cluster, which has continued to focus on new service offerings such as expanding its presence at wellness days and establishing various healthcare solutions such as multidisciplinary healthcare practices. Although the healthcare landscape remains competitive, Workforce managed to increase market share through building brand awareness, creating on-line visibility, coupled with an aggressive growth strategy that has yielded positive results.

External operating environment

Workforce continues to feel the pressure of a poor operating environment, challenged by pedestrian economic growth and a delayed project approval cycle, especially in the solar sector where Workforce is strongly positioned. Workforce is encouraged by the stance taken by the Government in the stemming of corruption and a drive to stimulate the country to thrive again. However, the changes in cabinet positions have tended to delay decision making, which we expect will be smoother in the coming six months as the portfolios are bedded down.

The ETI, a programme which incentivises the employment of unemployed youth between the ages of 18 and 29, remains a significant contributor to group financial results. The ETI contribution, however, was lower during the period due to lower economic activity experienced by our staffing cluster. Due to the enormous success of the programme incentives, Government announced an extension to 28 February 2029.

Financial performance

The staffing and outsourcing cluster (includes the recruitment and Africa clusters) experienced low growth and a reduction of EBITDA of 15% to R65 million (2018: R76 million) due to economic and legislative challenges.

The training cluster improved EBITDA by 42% to R27,3 million from R19,2 million in the previous year, as result of a higher gross margin. Dyna Group, our latest acquisition, contributed R2,8 million to the increase in EBITDA. The training cluster now contributes 25% to total EBITDA compared to 17% in the previous year.

The healthcare cluster invested in new business growth resulting in an increase in EBITDA of 54% to R15,9 million.

Fair value adjustments and depreciation resulting from acquisitions amounted to R9,9 million.

Taxation

As with previous financial years, the group's low tax rate arises primarily from the income derived from the ETI programme not being taxable, and the learnership allowances claimed in terms of section 12H of the Income Tax Act. ETI has been provisionally extended to 28 February 2029 whilst the 12H learnership allowance will be in place until 1 April 2022. Ongoing initiatives are under way to employ more youth, as well as to train more learners. Going forward, the group's tax rate will continue to be a function of our ability to utilise these two initiatives.

Cash generation

In spite of a period that saw many of our clients experiencing financial pressure as a result of the economy, Workforce improved its cash flow from operating activities for the six months ended 30 June 2019 to R48,5 million (2018: R37,7 million). Operating cash conversion improved to 0:61 (2018: 0:58). Days sales outstanding marginally deteriorated to 55 days (2018: 52 days) and overdue debtors deteriorated slightly to 9,9% of total book (2018: 7,9%). Bad debt charges to the income statement improved slightly to R4,5 million (2018: R9,9 million).

Funding

Workforce remains encouraged that external funders continue to support the group's acquisitive and organic growth strategies.

Gearing

Workforce has a debt to equity ratio of 0.53 compared to the previous year of 0.67. The difference in this ratio occurred due to the decrease of our contingent liabilities in respect of acquisitions.

IFRS 16

The group adopted IFRS 16 using the full retrospective method during the period under review. Workforce has lease contracts for property and motor vehicles, the comparative information in this period's condensed consolidated financial statements has been restated. In compliance with the new standard the group has recognised "right-of-use assets" and "interest-bearing borrowings" for all qualifying leases. This has resulted in an opening retained earnings adjustment of R2,9 million at 1 January 2018. Refer to note 4 for a detailed explanation.

Outlook

Looking towards the second half of our financial year, we believe the outlook for the economy remains constrained. Notwithstanding the challenging economic and labour environment, management continues to identify growth opportunities in the segments within which the group operates and remains committed to its growth and diversification strategy.

Workforce has a number of new initiatives in the financial services cluster that are coming to fruition which will better position this cluster in the market place. We look forward to the numerous infrastructure projects, both in South Africa and in neighbouring countries, in which Workforce can become a meaningful, relevant and significant player, albeit that we expect a slowing in the allocation of tenders and the implementation of projects.

Appreciation

We could not have achieved this result were it not for the commitment of our staff and management teams, or without the support of our customers, who rely on Workforce to assist in an array of human capital management services.

John Macey
Independent chairman

Ronny Katz
Chief executive officer

Willie van Wyk
Financial director

6 September 2019

Condensed consolidated statement of financial position

at 30 June 2019

	Notes	As at 30 June 2019 R'000	As at 30 June 2018 Restated R'000	As at 31 December 2018 Restated R'000
Assets				
Non-current assets		**373 739**	383 773	381 928
Right-of-use assets	4	**25 612**	32 976	31 241
Property, plant and equipment	5	**20 445**	22 268	20 266
Goodwill	6	**192 993**	192 889	191 230
Intangible assets	7	**69 307**	69 145	74 128
Deferred tax assets		**58 757**	57 689	58 757
Other financial assets		**6 625**	8 806	6 306
Current assets		**795 746**	733 413	783 521
Trade and other receivables		**758 726**	703 842	734 787
Inventories		**5 461**	4 989	4 965
Taxation		**2 855**	–	2 221
Cash and cash equivalents		**28 704**	24 582	41 548
Total assets		**1 169 485**	1 117 186	1 165 449
Equity and liabilities				
Equity		**636 240**	537 612	598 464
Equity attributable to owners of the parent		**639 584**	538 918	601 273
Stated capital		**234 051**	234 051	234 051
Treasury shares	17	**(13 065)**	(10 369)	(11 158)
Fair value adjustment through other comprehensive income		**706**	877	752
Foreign exchange differences on translation of foreign operations		**290**	–	549
Equity-settled employee benefits reserve		**11 718**	5 975	9 288
Retained earnings		**405 884**	308 384	367 791
Non-controlling interests		**(3 344)**	(1 306)	(2 809)
Non-current liabilities		**129 532**	144 498	143 730
Financial liabilities		**81 617**	93 455	87 585
Interest-bearing loans and borrowings		**30 478**	36 887	35 797
Deferred tax liabilities		**17 437**	14 156	20 348
Current liabilities		**403 713**	435 076	423 255
Trade and other payables		**149 285**	167 032	141 535
Financial liabilities		**254 428**	266 431	281 720
Taxation		**–**	1 613	–
Total equity and liabilities		**1 169 485**	1 117 186	1 165 449

Condensed consolidated statement of comprehensive income

for the six months ended 30 June 2019

	Notes	Six months to 30 June 2019 R'000	Six months to 30 June 2018 Restated R'000	Increase/ (decrease) %	Year to 31 December 2018 Restated R'000
Revenue		**1 532 511**	1 422 920	7,7	3 014 446
Cost of sales		**(1 184 747)**	(1 087 863)	8,9	(2 320 695)
Gross profit		**347 764**	335 057	3,8	693 751
Other income		**97**	–	–	278
Operating costs		**(267 721)**	(258 944)	3,4	(519 794)
Earnings before interest, taxation, depreciation and amortisation		**80 043**	76 113	5,2	173 957
Fair value adjustments		**(2 967)**	(458)	547,8	(5 360)
Amortisation of acquired intangible assets		**(6 984)**	(6 197)	12,7	(15 594)
Depreciation and impairment of property, plant and equipment and right-of-use assets		**(16 757)**	(14 250)	17,6	(24 158)
Finance income		**532**	1 235	(56,9)	2 829
Finance costs		**(15 563)**	(14 428)	7,9	(29 737)
Profit on sale of subsidiary		**–**	–	–	2 822
Profit before taxation		**38 304**	42 015	(8,8)	104 759
Taxation credit/(expense)	10	**2 911**	2 985	(2,5)	(1 854)
Profit after tax		**41 215**	45 000	(8,4)	102 905
Other comprehensive income/(loss) after tax					
Items that are reclassified to profit or loss:		**(259)**	–		549
Exchange difference on translating foreign operations		**(259)**	–		549
Items that are not reclassified to profit or loss:		**(46)**	(46)		(171)
Fair value gain through other comprehensive income financial assets		**(46)**	(46)		(171)
Total comprehensive income for the period		**40 910**	44 954		103 283
Profit for the period attributable to:					
Owners of the parent		**41 750**	44 846		104 253
Non-controlling interests		**(535)**	155		(1 348)
		41 215	45 000		102 905
Total comprehensive income attributable to:					
Owners of the parent		**41 445**	44 799		104 631
Non-controlling interests		**(535)**	155		(1 348)
		40 910	44 954		103 283
Earnings per share (cents)					
Basic	11	**18,5**	19,7		46,0
Diluted	11	**18,5**	19,3		45,0

Condensed consolidated statement of changes in equity

for the six months ended 30 June 2019

	Attributable to owners of the parent								
	Share capital and premium R'000	Treasury shares R'000	Fair value reserve R'000	Foreign currency translation reserve R'000	Equity-settled employee benefits reserve R'000	Retained earnings R'000	Total R'000	Non-controlling interest R'000	Total R'000
Balance at 1 January 2019	**234 051**	**(11 158)**	**752**	**549**	**9 288**	**367 791**	**601 273**	**(2 809)**	**598 464**
Recognition of share-based payments	**–**	**–**	**–**	**–**	**2 430**	**–**	**2 430**	**–**	**2 430**
Buy-back of shares (refer to note 17)	**–**	**(1 907)**	**–**	**–**	**–**	**–**	**(1 907)**	**–**	**(1 907)**
Payment of dividends	**–**	**–**	**–**	**–**	**–**	**(3 657)**	**(3 657)**	**–**	**(3 657)**
Total comprehensive income for the period	**–**	**–**	**(46)**	**(259)**	**–**	**41 750**	**41 445**	**(535)**	**40 910**
Balance at 30 June 2019	**234 051**	**(13 065)**	**706**	**290**	**11 718**	**405 884**	**639 584**	**(3 344)**	**636 240**
Balance at 1 January 2018 as previously reported	234 051	(7 658)	923	–	6 793	309 697	543 806	(1 461)	542 345
Recognition of IFRS 9 adjustment	–	–	–	–	–	(43 267)	(43 267)	–	(43 267)
Recognition of IFRS 16 adjustment (refer to note 4)	–	–	–	–	–	(2 892)	(2 892)	–	(2 892)
Balance at 1 January 2018 restated	234 051	(7 658)	923	–	6 793	263 538	497 647	(1 461)	496 186
Recognition of share-based payments	–	–	–	–	(818)	–	(818)	–	(818)
Buy-back of shares	–	(2 711)	–	–	–	–	(2 711)	–	(2 711)
Total comprehensive income for the period	–	–	(46)	–	–	44 846	44 800	155	44 955
Balance at 30 June 2018 restated	234 051	(10 369)	877	–	5 975	308 384	538 918	(1 306)	537 612
Balance at 1 January 2018 as previously reported	234 051	(7 658)	923	–	6 793	309 697	543 806	(1 461)	542 345
Recognition of IFRS 9 adjustment	–	–	–	–	–	(43 267)	(43 267)	–	(43 267)
Recognition of IFRS 16 adjustment	–	–	–	–	–	(2 892)	(2 892)	–	(2 892)
Balance at 1 January 2018 restated	234 051	(7 658)	923	–	6 793	263 538	497 647	(1 461)	496 186
Recognition of share-based payments	–	–	–	–	2 495	–	2 495	–	2 495
Buy-back of shares	–	(3 500)	–	–	–	–	(3 500)	–	(3 500)
Recognition of IFRS 9 adjustment	–	–	–	–	–	–	–	–	–
Sale of subsidiary	–	–	–	–	–	1 383	1 383	1 439	2 822
Total comprehensive income for the year	–	–	(171)	549	–	102 870	103 248	(2 787)	100 461
Balance at 31 December 2018 restated	234 051	(11 158)	752	549	9 288	367 791	601 273	(2 809)	598 464

Condensed consolidated statement of cash flows

for the six months ended 30 June 2019

	Notes	**Six months to 30 June 2019 R'000**	Six months to 30 June 2018 Restated R'000	Year to 31 December 2018 Restated R'000
Cash generated from operations before net working capital changes		**66 567**	60 004	148 334
Cash generated from operations	14.1	**80 193**	69 385	171 767
Finance income		**532**	1 235	2 829
Finance costs		**(13 524)**	(12 358)	(25 626)
Taxation paid		**(634)**	1 742	(636)
Increase in net working capital	14.2	**(18 055)**	(22 239)	(80 496)
Cash flows from operating activities		**48 512**	37 765	67 838
Cash flows from investing activities		**(27 628)**	(16 315)	(69 258)
Property, plant and equipment acquired – maintaining operations	7	**(4 870)**	(3 160)	(6 742)
Proceeds on disposal of property, plant and equipment		**130**	15	132
Dividend income		**–**	–	278
Intangible assets acquired – maintaining operations	9	**(5 348)**	(2 536)	(13 670)
Net cash flow on acquisition of business combinations	14.3	**(17 540)**	(10 634)	(49 256)
Cash flows from financing activities		**(33 728)**	(22 416)	17 420
Repayment of borrowings		**(30 277)**	–	(2 086)
Proceeds from borrowings		**10 759**	(13 959)	35 915
Payment of lease liabilities		**(8 646)**	(5 746)	(12 909)
Payment for buy-back of shares		**(1 907)**	(2 711)	(3 500)
Dividends paid		**(3 657)**	–	–
Net change in cash and cash equivalents		**(12 844)**	(966)	16 000
Cash and cash equivalents at the beginning of the period		**41 548**	25 548	25 548
Cash and cash equivalents at the end of the period		**28 704**	24 582	41 548

Notes to the condensed consolidated interim financial statements

for the six months ended 30 June 2019

1. Nature of operations and general information

Workforce Holdings Limited is a holding company incorporated in South Africa. The principal activities of the group are human capital solutions that include temporary employment services, permanent placement recruitment, training and skills development, contractor on-boarding, healthcare and wellness, disability solutions, financial services, lifestyle benefits and business process outsourcing solutions.

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

2. Events after reporting date

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

3. Auditor's responsibility

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

4. Basis of preparation and significant accounting policies

4.1 Basis of preparation

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

The unaudited condensed interim financial statements for the six months ended 30 June 2019 were compiled under the supervision of W van Wyk, CA(SA), the group financial director. The unaudited condensed consolidated interim financial statements have been prepared using the measurement basis specified by International Financial Reporting Standards ("IFRS") for each type of asset, liability, income and expense.

4.2 New standards, interpretations and amendments adopted by the group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new standards effective as of 1 January 2019. The group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 16

IFRS 16 supersedes IAS 17: *Leases*, IFRIC 4: *Determining whether an Arrangement contains a Lease*, SIC-15: *Operating Leases-Incentives* and SIC-27: *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

The group adopted IFRS 16 using the full retrospective method of adoption with the date of initial application of 1 January 2019. The group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ("short-term leases"), and lease contracts for which the underlying asset is of low value ("low-value assets").

4. Basis of preparation and significant accounting policies (continued)

4.2 New standards, interpretations and amendments adopted by the group (continued)

	R'000
Impact on the statement of financial position (increase/decrease) as at 31 December 2018:	
Assets	
Non-current assets	
Right-of-use assets	31 241
Total assets	31 241
Equity	
Retained earnings	4 556
Total equity	4 556
Liabilities	
Non-current liabilities	
Interest-bearing loans and borrowings	(35 797)
Total liabilities	(35 797)
Impact on the statement of financial position (increase/decrease) for the six months ended 30 June 2018:	
Depreciation expense	6 766
Rent expense	(7 816)
Operating profit	(1 050)
Finance costs	2 070
Profit for the period	1 020
Impact on the statement of cash flows (increase/(decrease)) for the six months ended 30 June 2018:	
Net cash flows from operating activities	5 746
Net cash flows from financing activities	(5 746)

(a) Nature of the effect of adoption of IFRS 16

The group has lease contracts for property and motor vehicles. Before the adoption of IFRS 16, the group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in the statement of profit or loss on a straight-line basis over the lease term.

Upon adoption of IFRS 16, the group applied a single recognition and measurement approach for all leases that it is the lessee, except for short-term leases and leases of low-value assets. The group recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. In accordance with the full retrospective method of adoption, the group applied IFRS 16 at the date of initial application as if it had already been effective at the commencement date of existing lease contracts. Accordingly, the comparative information in this interim condensed consolidated financial statements has been restated.

4. Basis of preparation and significant accounting policies (continued)

4.2 New standards, interpretations and amendments adopted by the group (continued)

(a) Nature of the effect of adoption of IFRS 16 (continued)

As at 31 December 2018

- Right-of-use assets of R31,241 million were recognised and presented separately in the statement of financial position.
- Additional lease liabilities of R35,797 million were recognised and included under interest-bearing loans and borrowings.

(b) Amounts recognised in the statement of financial position and statement of comprehensive income

Set out below are the carrying amounts of the group's right-of-use assets and lease liabilities and the movements during the period:

	Right-of-use assets			
	Property R'000	Motor vehicles R'000	Total R'000	Lease liabilities R'000
As at 31 December 2018	27 342	3 900	31 242	(35 795)
Additions	2 461	867	3 328	(3 230)
Depreciation expense	(7 331)	(1 625)	(8 956)	–
Interest expense	–	–	–	(2 039)
Payments	–	–	–	10 586
As at 30 June 2019	**22 472**	**3 142**	**25 614**	**(30 478)**

Set out below are the amounts recognised in profit or loss:

	June 2019 R'000
Depreciation expense of right-of-use assets	**8 956**
Rent expense	**(10 586)**
Interest expense on lease liabilities	**2 039**
Total amounts recognised in profit or loss	**409**

5. Property, plant and equipment

	Motor vehicles R'000	Computer equipment R'000	Machinery R'000	Office equip-ment R'000	Leasehold improve-ments R'000	Training manuals R'000	Land and buildings R'000	Total R'000
Six months to 30 June 2019								
Carrying amount at 1 January 2019	**2 944**	**4 747**	**2 484**	**4 119**	**619**	**2 653**	**2 700**	**20 266**
Additions	**418**	**1 716**	**138**	**1 764**	**187**	**647**	**–**	**4 870**
Disposals	**(24)**	**(9)**	**–**	**–**	**(43)**	**–**	**–**	**(76)**
Depreciation	**(695)**	**(1 771)**	**(676)**	**(804)**	**(89)**	**(580)**	**–**	**(4 615)**
Carrying amount at 30 June 2019	**2 643**	**4 683**	**1 946**	**5 079**	**674**	**2 720**	**2 700**	**20 445**

5. Property, plant and equipment (continued)

	Motor vehicles R'000	Computer equipment R'000	Machinery R'000	Office equip-ment R'000	Leasehold improve-ments R'000	Training manuals R'000	Land and buildings R'000	Total R'000
Six months to 30 June 2018								
Carrying amount at 1 January 2018	4 455	6 563	2 579	4 071	561	2 630	2 700	23 559
Additions	–	1 581	420	533	242	384	–	3 160
Disposals	–	148	–	–	–	–	–	148
Acquired through business combination	–	76	–	73	–	344	–	493
Depreciation	(793)	(2 129)	(663)	(649)	(72)	(786)	–	(5 092)
Carrying amount at 30 June 2018	3 662	6 239	2 336	4 028	731	2 572	2 700	22 268
Year to 31 December 2018								
Carrying amount at 1 January 2018	4 455	6 563	2 579	4 071	561	2 630	2 700	23 559
Additions	88	2 537	1 247	1 666	242	962	–	6 742
Disposals	(62)	(21)	(5)	(1)	–	–	–	(89)
Acquired through business combination	–	76	–	73	–	–	–	149
Depreciation	(1 537)	(4 407)	(1 338)	(1 690)	(184)	(939)	–	(10 095)
Carrying amount at 31 December 2018	2 944	4 748	2 483	4 119	619	2 653	2 700	20 266

All depreciation charges are included in "Depreciation and impairment of property, plant and equipment and right-of-use assets" in the statement of comprehensive income. No property, plant and equipment has been impaired during the year (2018: Nil).

The directors have determined that the residual value of the buildings is equal to or exceeds the carrying value, therefore no depreciation has been provided for this category.

6. Goodwill

	Total R'000
Six months to 30 June 2019	
Carrying amount at 1 January 2019	**191 230**
Acquired through business combination	**1 763**
Carrying amount at 30 June 2019	**192 993**
Six months to 30 June 2018	
Carrying amount at 1 January 2018	134 480
Acquired through business combination	58 409
Carrying amount at 30 June 2018	192 889
Year to 31 December 2018	
Carrying amount at 1 January 2018	134 480
Acquired through business combination	56 750
Carrying amount at 31 December 2018	191 230

Notes to the condensed consolidated interim financial statements
(continued)

for the six months ended 30 June 2019

7. Intangible assets

	Computer software R'000	Brands R'000	Training course accreditations R'000	Client relationships R'000	Development costs R'000	Total R'000
Six months to 30 June 2019						
Carrying amount at 1 January 2019	**29 664**	**76**	**18 214**	**14 352**	**11 822**	**74 128**
Additions	**395**	**11**	**–**	**–**	**4 942**	**5 348**
Acquired through business combination	**–**	**–**	**–**	**–**	**–**	**–**
Amortisation	**(3 473)**	**(15)**	**(2 062)**	**(4 619)**	**–**	**(10 169)**
Carrying amount at 30 June 2019	**26 586**	**72**	**16 152**	**9 733**	**16 764**	**69 307**
Six months to 30 June 2018						
Carrying amount at 1 January 2018	17 065	–	–	16 262	10 920	44 247
Additions	565	–	–	–	1 971	2 536
Acquired through business combination	3	–	20 276	10 672	–	30 951
Amortisation	(2 695)	–	(344)	(5 550)	–	(8 589)
Carrying amount at 30 June 2018	14 938	–	19 932	21 384	12 891	69 145
Year to 31 December 2018						
Carrying amount at 1 January 2018	17 065	–	–	16 262	10 920	44 247
Additions	1 355	82	–	–	12 233	13 670
Disposals	11 331	–	–	–	(11 331)	–
Acquired through business combination	3	–	20 620	10 672	–	31 295
Amortisation	(90)	(6)	(2 406)	(12 582)	–	(15 084)
Carrying amount at 31 December 2018	29 664	76	18 214	14 352	11 822	74 128

8. Segment analysis

The group's segment analysis is based on the following four core business segments:

- Staffing and Outsourcing (includes recruitment and Africa): comprising temporary employment services, functional outsourcing, permanent recruitment, executive search, specialist staffing, payroll management, HR and IR consulting and turnkey staffing solutions.
- Training: comprising accredited short courses, skills programmes, full qualifications, learnerships, apprenticeship programmes, adult education training and contractor on boarding.
- Financial services: death and disability cover, funeral cover, hospital cover, day-to-day medical insurance and financial and mobile products and services.
- Healthcare: comprising recruitment and placement of medical professionals for hospital cover, day-to-day medical insurance and occupational healthcare services, employee health and wellness programmes and health risk assessment.

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

8. Segment analysis (continued)

	Staffing and outsourcing R'000	Training R'000	Financial services R'000	Health-care R'000	Shared services and central costs R'000	Consoli-dation entries R'000	Total R'000
Six months to June 2019							
Segment revenues	1 217 453	128 272	54 542	132 244	–	–	1 532 511
Inter-segment revenues	5 821	6 972	–	804	–	(13 597)	–
Cost of sales	(1 013 127)	(57 769)	(25 120)	(92 756)	4 025	–	(1 184 747)
Inter-segment cost of sales	(5 821)	–	–	–	–	5 821	–
Operating costs	(139 792)	(43 108)	(26 225)	(23 538)	(35 058)	–	(267 721)
Inter-segment operating costs	–	(6 972)	–	(804)	–	7 776	–
EBITDA	64 534	27 395	3 197	15 950	(31 033)	–	80 043
Fair value adjustments	–	–	366	–	(3 333)	–	(2 967)
Depreciation and impairment of property, plant and equipment and right-of-use assets	(6 685)	(3 096)	(439)	(1 300)	(5 237)	–	(16 757)
Amortisation of acquired intangible assets	–	–	–	–	–	(6 984)	(6 984)
Net finance costs	(1 508)	(327)	(700)	(271)	(12 225)	–	(15 031)
Segment profit/(loss) before tax	56 341	23 972	2 424	14 379	(51 828)	(6 984)	38 304
Capital expenditure	1 804	2 228	350	324	5 512	–	10 218
Segment total assets	486 258	106 724	254 700	27 708	506 995	(212 900)	1 169 485
Segment total liabilities	(80 482)	(47 581)	(313 019)	(8 856)	(97 057)	13 750	(533 245)
Net segment assets	405 776	59 143	(58 319)	18 852	409 938	(199 150)	636 240
Six months to June 2018							
Segment revenues	1 153 429	106 008	47 431	115 924	127	–	1 422 920
Inter-segment revenues	12 057	7 463	–	862	–	(20 382)	–
Cost of sales	(935 760)	(54 940)	(16 544)	(83 749)	3 131	–	(1 087 863)
Inter-segment cost of sales	(11 264)	–	–	–	–	11 264	–
Operating costs	(141 642)	(31 801)	(24 096)	(21 783)	(39 622)	–	(258 944)
Inter-segment operating costs	(792)	(7 464)	–	(863)	–	9 118	–
EBITDA	76 028	19 266	6 791	10 391	(36 364)	–	76 113
Fair value adjustments	–	(885)	450	–	(23)	–	(458)
Depreciation and impairment of property, plant and equipment and right-of-use assets	(5 118)	(2 740)	(931)	(1 119)	(4 342)	–	(14 250)
Amortisation of acquired intangible assets	–	–	–	–	–	(6 197)	(6 197)
Net finance costs	(1 297)	282	(785)	(415)	(10 978)	–	(13 193)
Segment profit/(loss) before tax	69 613	15 923	5 525	8 857	(51 707)	(6 197)	42 015

8. Segment analysis (continued)

	Staffing and outsourcing R'000	Training R'000	Financial services R'000	Health-care R'000	Shared services and central costs R'000	Consoli-dation entries R'000	Total R'000
Capital expenditure	140 523	31 564	11 835	18 130	(92 436)	(12 394)	97 221
Segment total assets	420 308	122 750	213 794	19 290	519 538	(178 494)	1 117 186
Segment total liabilities	(68 379)	(97 118)	(261 788)	(6 306)	(199 615)	53 632	(579 574)
Net segment assets/(liabilities)	351 929	25 632	(47 994)	12 984	319 923	(124 862)	537 612
Year to 31 December 2018							
Segment revenues	2 437 008	230 909	101 873	244 461	195	–	3 014 446
Inter-segment revenues	27 894	16 187	–	1 582	–	(45 663)	–
Cost of sales	(1 999 800)	(111 317)	(39 364)	(174 244)	4 030	–	(2 320 695)
Inter-segment cost of sales	(25 875)	–	–	(62)	–	25 937	–
Operating costs	(275 844)	(69 692)	(44 289)	(45 100)	(84 869)	–	(519 794)
Inter-segment operating costs	(1 958)	(16 186)	–	(1 582)	–	19 726	–
EBITDA	161 425	49 901	18 220	25 055	(80 644)	–	173 957
Fair value adjustments	–	(885)	884	–	(5 359)	–	(5 360)
Depreciation and impairment of property, plant and equipment and right-of-use assets	(11 070)	(5 640)	(1 821)	(2 347)	(3 280)	–	(24 158)
Amortisation of acquired intangible assets	–	–	–	–	–	(15 594)	(15 594)
Finance income	853	1 908	42	24	2	–	2 829
Finance costs	(4 580)	(2 417)	(12 593)	(2 443)	(7 704)	–	(29 737)
Profit on sale of subsidiary	–	–	–	–	–	2 822	2 822
Segment profit/(loss) before tax	146 628	42 867	4 732	20 248	(96 985)	(12 772)	104 718
Capital expenditure	2 446	3 761	143	1 494	12 719	32 293	52 856
Segment total assets	462 775	96 389	241 560	24 878	525 233	(185 386)	1 165 449
Segment total liabilities	(60 851)	(56 293)	(300 362)	(4 578)	(198 533)	53 632	(566 985)
Net segment assets/(liabilities)	401 924	40 096	(58 802)	20 300	326 700	(131 754)	598 464

Geographical information

The group's revenue from external customers and information regarding its segment asset (non-current assets excluding financial instruments, deferred tax assets and other financial assets) by geographical location are immaterial.

Information about major customers

No single customers contributed 10% or more to the group's revenue in either 2019 or 2018.

9. Revenue

Set out below is the disaggregation of the group's revenue:

Type of goods or services	Staffing and outsourcing R'000	Training R'000	Financial services R'000	Health-care R'000	Total R'000
Six months to June 2019					
Staffing solutions	**1 198 986**	**–**	**–**	**–**	**1 198 986**
Placement fees	**17 086**	**–**	**–**	**–**	**17 086**
Payroll management	**1 381**	**–**	**–**	**–**	**1 381**
Accredited courses, education and training	**–**	**128 272**	**–**	**–**	**128 272**
Funeral cover and lending services	**–**	**–**	**54 542**	**–**	**54 542**
Medical cover, healthcare, wellness programmes and health risk assessments	**–**	**–**	**–**	**132 244**	**132 244**
	1 217 453	**128 272**	**54 542**	**132 244**	**1 532 511**
Six months to June 2018					
Staffing solutions	1 132 543	–	–	–	1 132 543
Placement fees	2 124	–	–	–	2 124
Payroll management	18 948	–	–	–	18 948
Accredited courses, education and training	–	106 008	–	–	106 008
Funeral cover and lending services	–	–	47 431	–	47 431
Medical cover, healthcare, wellness programmes and health risk assessments	–	–	–	115 866	115 866
	1 153 615	106 008	47 431	115 866	1 422 920
Year to December 2018					
Staffing solutions	2 400 168	–	–	–	2 400 168
Placement fees	33 985	–	–	–	33 985
Payroll management	3 050	–	–	–	3 050
Accredited courses, education and training	–	230 909	–	–	230 909
Funeral cover and lendings services	–	–	101 873	–	101 873
Medical cover, healthcare, wellness programmes and health risk assessments	–	–	–	244 461	244 461
	2 437 203	230 909	101 873	244 461	3 014 446

Notes to the condensed consolidated interim financial statements
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for the six months ended 30 June 2019

10. Taxation

The effective tax rate of (7.6%) (2018: (7.1%)) for the period was based on the anticipated weighted average tax rate for the full financial year. The low tax rate is due to the tax deductions of learnership allowances as well as having earned tax-free employment incentive income. The Employment Tax Incentive introduced in January 2014 incentivises companies that employ young job seekers. The effect of this incentive on the group's results has been substantial and has been treated as a reduction of the relevant wage expense in terms of IAS 20: Accounting for government grants and disclosure of government assistance. The Employment Tax Incentive income earned for 2019 was R28,870 million (2018: R33,113 million).

11. Earnings per share

	Six months to 30 June 2019 R'000	Six months to 30 June 2018 Restated R'000	Year to 31 December 2018 Restated R'000
Basic earnings per share			
Profit attributable to equity shareholders of the parent company (R'000)	**41 750**	44 846	104 253
Weighted average number of shares in issue ('000)	**225 492**	227 230	226 856
Diluted weighted average number of shares in issue ('000)	**225 492**	232 008	231 634
Basic earnings per share (cents)	**18,5**	19,7	46,0
Diluted earnings per share (cents)	**18,5**	19,3	45,0
Headline earnings per share			
The earnings used in the calculation of headline earnings per share are as follows:			
Profit attributable to equity shareholders of parent company (R'000)	**41 750**	44 846	104 253
Headline earnings adjustment (R'000)	**94**	(125)	(2 822)
▪ Gain on disposal of property, plant and equipment (R'000)	**130**	(173)	–
▪ Sale of subsidiary (R'000)	**–**	–	(2 822)
▪ Tax effect of adjustments (R'000)	**(36)**	48	–
Total headline earnings (R'000)	**41 844**	44 721	101 431
Weighted average number of shares in issue ('000)	**225 492**	227 230	226 856
Headline earnings per share (cents)	**18,6**	19,7	44,7
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:	**225 492**	227 230	226 856
Shares deemed to be issued for no consideration in respect of:			
Employee options	**–**	4 778	4 778
Weighted average number of ordinary shares in the calculation of diluted earnings per share	**225 492**	232 008	231 634

12. Dividends

A dividend of R3 657 206,15 was declared under the current period. The dividend declared equated to 1,5 cents per share.

13. Changes to the board

There were no changes to the board under the current period.

14. Notes to the condensed consolidated statement of cash flows

		Six months to 30 June 2019 R'000	Six months to 30 June 2018 Restated R'000	Year to 31 December 2018 Restated R'000
14.1	Cash generated from operations			
	Profit before taxation	**38 304**	42 015	104 759
	Finance income	**(532)**	(1 235)	(2 829)
	Finance costs	**13 524**	12 358	25 626
	Other income	**–**	–	(278)
	Adjustment for non-cash items:			
	(Gain) on disposal of property, plant and equipment	**19**	(173)	–
	Amortisation of acquired intangible assets	**6 984**	6 197	15 594
	Depreciation and impairment of property, plant and equipment and right-of-use assets	**16 757**	14 250	24 158
	(Loss)/gain arising on financial liability at fair value through profit or loss	**2 966**	458	5 360
	Foreign exchange differences on translation of foreign operations	**(259)**	–	549
	(Reversal)/expense recognised in respect of cash-settled share-based payment	**–**	(3 667)	(3 667)
	(Reversal)/expense recognised in respect of equity-settled share-based payment	**2 430**	(818)	2 495
		80 193	69 385	171 767
14.2	Working capital changes			
	Change in trade and other receivables	**(23 899)**	(20 553)	(80 047)
	Change in trade and other receivables, i.e. IFRS 9 adjustment	**–**	(30 758)	–
	Change in inventories	**(419)**	(1 443)	(1 419)
	Change in trade payables	**6 263**	30 515	970
		(18 055)	(22 239)	(80 496)
14.3	Net cash flow on acquisition of business			
	Net cash inflow on the acquisition of subsidiaries – current year	**(200)**	5 239	(28 888)
	Net cash outflow on the acquisition of subsidiaries relating to contingent consideration – prior year's acquisition	**(17 340)**	(15 873)	(20 368)
		(17 540)	(10 634)	(49 256)

15. Financial assets and financial liabilities

	Six months to 30 June 2019 R'000	Six months to 30 June 2018 Restated R'000	Year to 31 December 2018 Restated R'000
Financial assets			
Financial assets at amortised cost			
Trade and other receivables	**725 968**	703 842	710 382
Cash and cash equivalents	**28 704**	24 582	41 548
Financial assets at amortised cost			
Quoted equity shares	**2 770**	2 724	2 816
Financial assets at amortised cost			
Investment in cell captive	**3 855**	3 055	3 490
Total	**761 297**	734 203	758 236
Total current	**6 625**	5 779	6 306
Total non-current	**754 672**	728 424	751 930
Financial liabilities			
Financial liabilities at amortised cost			
Trade and other payables	**144 356**	167 032	47 036
Interest-bearing borrowings	**220 108**	243 266	250 385
Loan on treasury shares	**8 045**	7 711	8 045
Financial liabilities at fair value through profit and loss			
Contingent consideration	**53 063**	96 631	66 972
Current	**10 781**	10 887	18 802
Non-current	**42 282**	85 744	48 170
Total	**425 572**	514 640	372 438
Total current	**375 245**	421 185	316 223
Total non-current	**50 327**	93 455	56 215

15. Financial assets and financial liabilities (continued)

15.1.2 *The following table provides the fair value measurement hierarchy of the group's financial assets and financial liabilities as at June 2019, June 2018 and December 2018:*

	Date of valuation	Total R'000	Quoted prices in active markets Level 1 R'000	Significant observable inputs Level 2 R'000	Significant unobservable inputs Level 3 R'000
As at 30 June 2019					
Financial assets					
Quoted equity shares	30 June 2019	**2 770**	**2 770**	**–**	**–**
Cell captive	30 June 2019	**3 855**	**–**	**–**	**3 855**
Financial liabilities					
Loan on treasury shares	30 June 2019	**(8 045)**	**–**	**–**	**(8 045)**
Contingent consideration relating to business combination	30 June 2019	**(53 063)**	**–**	**–**	**(53 063)**
As at 30 June 2018					
Financial assets					
Quoted equity shares	30 June 2018	2 724	2 724	–	–
Cell captive	30 June 2018	3 055	–		3 055
Financial liabilities					
Loan on treasury shares	30 June 2018	(7 711)	–	–	(7 711)
Contingent consideration relating to business combination	30 June 2018	(96 631)	–	–	(96 631)
As at 31 December 2018					
Financial assets					
Quoted equity shares	31 December 2018	2 816	2 816	–	–
Cell captive	31 December 2018	3 489	–	–	3 489
Financial liabilities					
Loan on treasury shares	31 December 2018	(8 045)	–	–	(8 045)
Contingent consideration relating to business combination	31 December 2018	(66 972)	–	–	(66 972)

15. Financial assets and financial liabilities (continued)

15.1.3 Description of significant unobservable inputs to valuation

The significant unobservable inputs used in the fair value measurements of financial instruments within level 3 of the fair value hierarchy, together with a quantities sensitivity analysis as at 30 June 2019 and 2018 are shown below.

	Valuation technique	Significant unobservable inputs	Sensitivity of the input to fair value
Financial assets Quoted equity shares	Quoted bid prices in active market.	N/A	N/A
Investment in cell captive	Net asset value is used as a valuation where the underlying assets and liabilities have been assessed to represent the fair value of the investment. Due to the nature of the investment, specifically the significant composition of liquid assets and liabilities, the net value is seen to be the most appropriate presentation of fair value.	Fair values of the cell captive's underlying assets and liabilities.	A 2% increase or decrease in the fair value of the underlying assets and liabilities should not result in a change in the fair value.
Financial liabilities Contingent consideration relating to business combination	Discounted cash flow method was used to capture the present value of the expected future economic benefits that will flow out of the group. Discount rate of 17,5% determined using the capital asset pricing model.	Discount rate of 17,5% determined using the capital asset pricing model.	A 2% increase or decrease in the discount rate used while holding all other variables constant would decrease/increase the fair value of the loan by R80 000 (2018: R72 800).
		Probability adjusted profits with ranges of R13 500 000 to R40 500 000 and R100 000 000, respectively.	A slight change in the probability adjusted profits in isolation would not result in a significant change in the fair value.
Treasury share loan	Discounted cash flow method was used to capture the present value of the expected future economic benefits that will flow out of the group. Discount rate of 17,5% determined using the capital asset pricing model. Probability adjusted profits with ranges of R13 500 000 to R40 500 000 and R100 000 000, respectively.	A risk adjusted discount rate of 8,2%.	A 2% increase in the discount rate used while holding all other variables constant would decrease/increase the fair value of the loan by R220 000 (2018: R200 000).

15. Financial assets and financial liabilities (continued)

15.1.4 Reconciliation of level 3 fair value measurements

	Investment in cell captive R'000	Treasury share loan R'000	Contingent consideration R'000	Total R'000
As at 30 June 2019				
Opening balance	**3 489**	**(8 045)**	**(66 972)**	**(71 528)**
Gain/(loss) in profit or loss	**366**	**–**	**3 331**	**3 697**
Additions	**–**	**–**	**300**	**300**
Release on liability	**–**	**–**	**10 278**	**10 278**
Closing balance	**3 855**	**(8 045)**	**(53 063)**	**(57 253)**
As at 30 June 2018				
Opening balance	2 605	(7 783)	(25 562)	(30 740)
Gain/(loss) in profit or loss	450	72	3 066	3 588
Additions	–	–	(29 395)	(29 395)
Release on liability	–	–	(44 740)	(44 740)
Closing balance	3 055	(7 711)	(96 631)	(101 287)
As at 31 December 2018				
Opening balance	2 605	(7 783)	(25 562)	(30 740)
Gain/(loss) in profit or loss	884	(262)	(8 403)	(7 781)
Additions	–	–	(79 358)	(79 358)
Release on liability	–	–	46 351	46 351
Closing balance	3 489	(8 045)	(66 972)	(71 528)

16. Related parties

During the period, the group entered into related-party transactions in the ordinary course of business, the substance of which are similar to those disclosed in the group's annual financial statements for the year ended 31 December 2018.

17. Treasury shares

	Six months to 30 June 2019 R'000	Six months to 30 June 2018 R'000	Year to 31 December 2018 R'000
Balance at the beginning of the year	**(11 158)**	(7 658)	(7 658)
Share buy-back	**(1 907)**	(2 711)	(3 500)
	(13 065)	(10 369)	(11 158)

Notes

workforce
HOLDINGS LIMITED

Executive directors
RS Katz
WP van Wyk

Non-executive directors
KN Vundla
S Naidoo
I Ross
S Thomas
JR Macey

Designated Adviser
Merchantec Proprietary Limited trading as Merchantec Capital

Company secretary
S van Schalkwyk

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

PO Box 11137
Johannesburg
2000

Transfer secretaries
Link Market Services (South Africa) Proprietary Limited

11 Diagonal Street
Johannesburg
2001

Commercial bankers
ABSA Business Bank

Company registration number
2006/018145/06

www.workforce.co.za

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