

**Unaudited condensed  
consolidated interim  
financial results**

for the six months ended 30 June 2020



**workforce**  
H O L D I N G S L I M I T E D

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

## Workforce at a glance

Workforce is an investment company comprising various subsidiaries which provide an extensive range of innovative, integrated and diversified human capital solutions to all industry sectors in southern Africa. Workforce was founded in 1972 and listed on the JSE AltX in 2006.

### What we do

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

### What differentiates us

- ▶ Entrepreneurial culture
- ▶ Innovative service solutions
- ▶ Diversified and integrated business model
- ▶ Strong customer relationships
- ▶ Extensive footprint
- ▶ Our people
  - intellectual capital
  - depth of management
  - committed workforce

## Structured for accelerated growth and diversification

Our diversification strategy remains a key priority and is ever more relevant during the current economic environment. Each cluster's business offerings are delivered through multiple brands in the market-place. Services integration of the various offerings of each of the closely aligned business units is of utmost importance to the sustainable growth of the group as it facilitates growth and diversification of our service offering and expansion into new markets and territories within and beyond South Africa's borders.

### Staffing and Outsourcing



This cluster's services extend beyond staffing and outsourcing to turnkey, tailor-made outsourcing solutions, including all aspects of human capital management such as payroll, industrial relations, human resources and functional outsourcing. Our contractors are at the core of our success, which is why we provide them with access to competitive benefits, career growth opportunities, skills development and invaluable experience, ultimately providing greater benefit to our valued clients.

### Recruitment\*



Our companies source, attract and recruit talent through vast professional networks, supported through expertise and technology, all achieved through a cohesive working relationship with our clients.

### Training



A growing footprint of services ranges from compliance training to specialised blue collar work and basic to niche white collar skills. Much of the training now takes place digitally and online. We aim to improve trainees' employability and earning capability of employed people to earn more in the shortest time possible with our training solutions.

### Healthcare



The healthcare cluster has two focus areas – the first is providing occupational healthcare services encompassing workplace employee health management, high risk compliance and extending to comprehensive corporate wellness solutions across all industry sectors. The second focus is on providing a complete range of primary healthcare personnel solutions for public and private hospitals and clinics, retirement and frail-care establishments and carers for old-age and or home-based care.

### Financial Services



The financial services cluster provides optimised financial services, lifestyle benefit packages and support services that ensure both employers and employees are protected against unforeseen events.

### Africa\*



Offering the full array of Workforce's employee management services, the Africa cluster serves all industries across parts of Africa. By recruiting from local communities and partnering with local staffing and recruitment companies, Workforce Africa offers staffing, training, healthcare and financial services.

\* The results for Recruitment and Africa are included in the Staffing and Outsourcing cluster results.

## Salient features of these interim results

Revenue decreased by 16,9% to R1,3 billion  
(2019: R1,5 billion)

EBITDA, before impairments, decreased by 52,2% to R44,1 million  
(2019: R92,3 million)

Cash flow from operating activities increased to R307,6 million  
(2019: R48,5 million)

EPS decreased by 146% (including impairment) to -8,5 cents per share  
(2019: 18,5 cents per share)

EPS excluding impairment 8,7 cents per share  
(2019: 18,5 cents per share)

Healthcare cluster delivering revenue growth of 4%  
and EBITDA growth of 31%

# Commentary

## External operating environment and financial performance

The arrival of COVID-19 resulted in Workforce only operating businesses within the group that were classified as essential services. This resulted in an immediate and substantial decline in turnovers across the clusters, aside from the healthcare cluster. This continued for the months of March, April and May 2020 and in June 2020, Workforce started to see a recovery and is now operating at a much higher level of utilisation of its services. The drop in turnover was successfully countered by temporary and permanent cost saving measures, a renewed focus on debtor collections as well as fully utilising government-initiated relief measures. Management believes the pandemic triggered a chain of actions which has enabled a stronger and more sustainable Workforce business.

Management envisages that, going forward in the second six months Workforce will return to a much higher level of utilisation which will result in a near-normalisation of the previous patterns of earnings.

Workforce was able to produce strong cash and the resultant sustainability of the business, despite the impact of COVID-19.

As a result of COVID-19, many contractors have been unable to work, and Workforce has facilitated the application and dissemination of R132 million worth of UIF Temporary Employee Relief Scheme (“TERS”) receipts to date. In addition, food vouchers were purchased amounting to R1,6 million.

For the months of April, May and June 2020, Workforce made top-up payments to our contractors amounting to R13,4 million. As an act of solidarity and to preserve liquidity, executive, senior management and members of staff, along with members of the Board, took a 20% reduction in salary for the months of April, May and June 2020.

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. In the six months under review the ETI contribution was higher due to the COVID-19 additional relief which was available from April to July 2020. The COVID-19 tax relief made available an additional amount of up to R750 that could be claimed for each qualifying employee. Furthermore, the range of qualifying employees was extended to include employees who did not qualify previously.

## Operating cluster review

### Staffing and Outsourcing

The **staffing and outsourcing** cluster had a reasonable start to the interim period, delivering a sound performance for businesses that struggled to gain traction in 2019. Cost cutting initiatives were implemented, a new managing director for Workforce Staffing, with two decades of experience was appointed, and large national contracts were signed. However, the second part of the period was adversely affected by the impact of COVID-19, resulting in revenue declining to R978,3 million (2019: R1,2 billion) and operating profit reducing to R39,0 million (2019: R56,3 million).

Despite this, the cluster assisted staff with the TERS which on 22 July 2020, was extended by Government to 15 August 2020. In addition, barriers to the Employment Tax Incentive (“ETI”) were relaxed from April to July 2020, resulting in a significant benefit which enabled the business to offset the fall in revenue as a result of lockdown regulations to some extent.

Stringent cash preservation, cost controls and a focus on the collection of debtors was implemented. Improved debt collection allowed the cluster to maintain overdue levels despite some clients being distressed.

Initially in April 2020 staff in the field dropped to about 30% of normal levels and in later months this improved to 80%.

Looking forward, the cluster is well positioned for growth and to benefit from any upswing in the economy, having reduced costs, with strong operational infrastructure in place and access to cash. In addition, having the team from Transman join the group has added further expertise, given their 37 years of industry experience, strong client relationships and national footprint. This is set to benefit the cluster.

## Commentary (continued)

### Recruitment\*

The **recruitment segment** primarily serves the mining, petrochemical, parastatal, telecommunications and retail sectors, all which were deeply impacted by COVID-19 with permanent recruitment coming to a virtual halt during the initial lockdown period and slowly started to pick up after that. As a consequence, most vacancies across these sectors were put on hold and new business service level agreements have been delayed until 2021.

The management team was able to pivot the business and offered a leading parastatal and other organisations novel solution models to their recruitment needs and this has proven to be very profitable. Extreme cost cutting implemented in the last few months of the interim period, the outsourcing of non-essential services to group and the implementation of these new business and specific revenue models, should contribute positively to the bottom line for the remainder of the financial year.

\* Results for Recruitment and Africa are included in the Staffing and Outsourcing cluster report.

### Training

The **training cluster** experienced a challenging interim period, with all industries serviced by the cluster being negatively impacted by the various lockdown levels, in particular the mining sector. Revenue declined by 15% and similarly operating profit was impacted by 77%. There was a particular focus on cash generation and collections and these were well executed.

Chartall Business College ("Chartall"), a higher education business with a Bachelor of Business Administration degree, as well as Sector Education and Training Authority ("SETA") registrations and learnerships in the banking sector, which was acquired in January 2020, was able to continue delivering courses digitally throughout lockdown. In the light of synergies, this digital element was incorporated into the rest of the cluster businesses with great success.

Despite the downturn in the first half of the year and the severe impact on the profitability of the cluster, results started improving significantly in June 2020 and we believe the cluster is on track for activity to resume to normal levels towards the end of the year. The focus for the remainder of the year will be on the effective delivery of training courses digitally or remotely and online.

### Healthcare

The **healthcare cluster** was deemed to provide an essential service and as such was active throughout all lockdown levels, experiencing increased demand for services to assist clients to ensure their business operations continued smoothly. The cluster delivered a strong performance for the first six months, delivering revenue growth of 4% and EBITDA growth of 31%. Cash preservation measures remained intact, with a positive cash flow and improved debtors days. The cluster continued to service existing clients, and several new clients were landed in both the private and public sectors.

The businesses in the cluster which focus on providing primary healthcare personnel solutions experienced little change in the frail care sector, but there was a reduction in demand from hospitals given that no elective procedures were performed during the lockdown and there were less trauma cases as a result of the alcohol ban. However, due to the rapid rise of COVID-19 cases, there was an increase in demand for nurses at hospitals in the latter part of the interim period.

The cluster also developed an array of new services specifically focused on responding to the pandemic, including a COVID-19 workplace risk assessment, virtual GP consultations, care centre support for suspected cases with telephonic questionnaires, counselling, tracing and laboratory testing, COVID-19 medical screening and training, as well as a COVID-19 support line. COVID-19 online training was developed in collaboration with the training cluster, which was used by many clients, helping to raise brand awareness.

The cluster was able to, during COVID-19, validate itself as a leader in this space and is now even better positioned to reap the benefits for the remainder of the financial year.

### Financial Services

The **financial services** cluster experienced a difficult first six months. Overall, revenue was down 12% in part due to the shutdown of the Babereki Product Division and the effects of COVID-19. A decision was taken to write off a portion of the loan book amounting to a net R46,5 million. The impairment was based on management assertions that there would be a higher default rate as a result of the COVID-19 pandemic and amended the IFRS 9 default rates accordingly. We are pleased to say that many of the previously 'temporary laid off' people have recommenced with work during June and July 2020.

The difficult start to the financial year did, however, provide a unique opportunity to re-engineer the business through restructuring and cost-saving initiatives, which resulted in approximately R1 million in savings per month and overall opex down approximately 12% for the period.

Through the Employee Essential Benefits (“EEB”) business, our investment into the medical insurance and other financial insurance products, has proved to be very successful and has started to produce positive cash flows. Much attention is being given to the expansion of this unit based on medical insurance product lines very much needed in the country.

#### *Africa\**

During the six months under review the Workforce Africa cluster succeeded in winning new clients in Mozambique, despite travel restrictions related to the COVID-19 pandemic being in place. In Mauritius opportunities relating to insurance and employee benefits are being pursued. Business operations in Namibia are performing well and so too are the operations in Botswana.

Revenue generated during the six months was in line with budget and stable compared to the first six months of 2019, despite being negatively affected by business in Mauritius, which is heavily exposed to the hospitality sector. The outlook for the remaining six months is to continue to tender on opportunities in sectors where we have competitive advantages.

*\* Results for Recruitment and Africa are included in the Staffing and Outsourcing cluster report.*

## **Taxation**

As with previous financial years, the group’s positive tax charge 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. For the period, the tax credit amounts to R35,6 million (2019: R3 million). The COVID-19 tax relief on the ETI provided a significantly higher allowance than the prior period. We believe that we will be able to utilise the tax asset generated in coming years.

Due to the group decision to conserve cash, management approached SARS and were granted a deferral on payments of VAT for the period March 2020 to July 2020. The liability to SARS will be settled in six equal instalments beginning September 2020. 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 and liquidity**

In spite of a period that saw many of our clients experiencing financial pressure as a result of the economy, Workforce substantially improved its cash flow from operating activities for the six months ended 30 June 2020 to R307,5 million (2019: R48,5 million). Days sales outstanding marginally improved to 52 days (2019: 54 days) and overdue debtors settled at 16,1% of total book (2019: 9,8%).

Management is able to confirm that Workforce remains a going concern, with no debt covenants in breach and with sufficient liquidity to take the group through the current crisis.

All cash outlays are stringently reviewed and analysed, with only critical spend taking place. The executive committee frequently meets virtually to explore post-lockdown strategies to ensure that Workforce will emerge stronger once this challenging time has passed. This will also ensure that the group can capitalise on any organic and acquisitive opportunities that present themselves in the post-lockdown environment.

## **Bad debts**

Bad debt charges to the income statement amounted to R53,6 million (2019: R12,2 million).

## **Gearing**

Workforce has a debt to equity ratio of 0,45 compared to the previous year of 0,46. The difference in this ratio occurred due to the decrease of our utilisation of the ABSA facility.

## Commentary (continued)

### Acquisitions

During the six-month period Chartall was successfully integrated. Workforce is in the midst of the evaluation of other acquisitions, all of which are of minor nature and which will be complementary to the business of existing clusters, should they be successfully concluded.

### Outlook

Given the continued uncertainty with regard to COVID-19, Workforce is unable to tell at this stage when the economy will operate at full capacity. As time goes on more businesses, industry and infrastructure development will be opened. We are positioned to participate in the growth that comes from this and envisage that our training cluster will return to normal levels of profitability through existing and developed products during the COVID-19 period onto digital online platforms.



**John Macey**  
*Independent chairman*



**Ronny Katz**  
*Chief executive officer*



**Willie van Wyk**  
*Financial director*

20 August 2020



# Condensed Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2020

|   | Notes | Six months<br>to 30 June<br>2020<br>R'000 | Six months<br>to 30 June<br>2019<br>R'000 | Increase/<br>(decrease)<br>% | Year to<br>31 December<br>2019<br>R'000 |
|---|-------|---|---|------------------------------|---|
| Revenue   | 14    | 1 273 101                                 | 1 532 511                                 | (16.9)                       | 3 227 054                               |
| Cost of sales   |       | (981 443)                                 | (1 184 747)                               | (17,2)                       | (2 524 659)                             |
| <b>Gross profit</b>   |       | <b>291 658</b>                            | 347 764                                   | (16,1)                       | 702 395                                 |
| Other income  | 21.2  | 7 829                                     | –   | –                            | 1 402                                   |
| Operating costs   |       | (255 357)                                 | (255 486)                                 | (0.1)                        | (545 632)                               |
| <b>Earnings before interest, taxation, depreciation<br/>and amortisation before impairments</b> |       | <b>44 130</b>                             | 92 278                                    | (52,2)                       | 158 165                                 |
| Impairments   | 9     | (53 656)                                  | (12 235)                                  | –                            | (17 230)                                |
| <b>(Loss)/earnings before interest, taxation,<br/>depreciation and amortisation</b>             |       | <b>(9 526)</b>                            | 80 043                                    | (112,0)                      | 140 935                                 |
| Fair value adjustments  |       | (3 573)                                   | (2 967)                                   | 20.4                         | 30 147                                  |
| Depreciation and amortisation   |       | (25 132)                                  | (23 741)                                  | 5,9                          | (41 030)                                |
| Finance income  |       | 461                                       | 532                                       | (13.3)                       | 1 278                                   |
| Finance costs   |       | (11 856)                                  | (15 563)                                  | (23.8)                       | (32 257)                                |
| <b>(Loss)/profit before taxation</b>  |       | <b>(49 626)</b>                           | 38 304                                    | (229,6)                      | 99 073                                  |
| Taxation credit/(expense)   | 15    | 35 591                                    | 2 911                                     | –                            | (943)                                   |
| <b>(Loss)/profit after tax</b>  |       | <b>(14 035)</b>                           | 41 215                                    | (134,1)                      | 98 130                                  |
| Other comprehensive income/(loss) after tax<br>Items that are reclassified to profit or loss    |       | (305)                                     | (259)                                     | –                            | (853)                                   |
| Exchange difference on translating foreign<br>operations  |       | (305)                                     | (259)                                     | –                            | (853)                                   |
| <b>Items that are not reclassified to profit or loss</b>  |       | <b>(430)</b>                              | (46)                                      |                              | 1 016                                   |
| Fair value (loss)/gain through other comprehensive<br>income financial assets                   |       | (430)                                     | (46)                                      | –                            | 1 016                                   |
| <b>Total comprehensive (loss)/income for<br/>the period</b>                                     |       | <b>(14 770)</b>                           | 40 910                                    | –                            | 98 293                                  |
| <b>(Loss)/profit for the period attributable to:</b>  |       |   |   |                              |   |
| Owners of the parent  |       | (19 072)                                  | 41 750                                    | –                            | 95 769                                  |
| Non-controlling interests   |       | 5 037                                     | (535)                                     | –                            | 2 361                                   |
|   |       | <b>(14 035)</b>                           | 41 215                                    | –                            | 98 130                                  |
| <b>Total comprehensive (loss)/income<br/>attributable to:</b>                                   |       |   |   |                              |   |
| Owners of the parent  |       | (19 807)                                  | 41 445                                    | –                            | 95 932                                  |
| Non-controlling interests   |       | 5 037                                     | (535)                                     | –                            | 2 361                                   |
|   |       | <b>(14 770)</b>                           | 40 910                                    | –                            | 98 293                                  |
| <b>(Loss)/earnings per share (cents)</b>  |       |   |   |                              |   |
| Basic   | 16    | (8.5)                                     | 18.5                                      | –                            | 42.5                                    |
| Diluted   | 16    | (8.3)                                     | 18.5                                      | –                            | 41.2                                    |

# Condensed Consolidated Statement of Financial Position

for the six months ended 30 June 2020

|   | Notes | As at<br>30 June<br>2020<br>R'000 | As at<br>30 June<br>2019<br>R'000 | As at<br>31 December<br>2019<br>R'000 |
|---|-------|-----------------------------------|-----------------------------------|---------------------------------------|
| <b>Assets</b>   |       |                                   |                                   |                                       |
| <b>Non-current assets</b>   |       |                                   |                                   |                                       |
|   |       | <b>450 211</b>                    | 373 739                           | 386 939                               |
| Right-of-use assets   | 5     | 20 881                            | 25 612                            | 28 183                                |
| Property, plant and equipment                                     | 6     | 19 116                            | 20 445                            | 20 642                                |
| Goodwill  | 7     | 215 780                           | 192 993                           | 192 993                               |
| Intangible assets   | 8     | 84 863                            | 69 307                            | 74 302                                |
| Deferred tax assets   |       | 103 822                           | 58 757                            | 63 882                                |
| Other financial assets  |       | 5 749                             | 6 625                             | 6 937                                 |
| <b>Current assets</b>   |       |                                   |                                   |                                       |
|   |       | <b>782 350</b>                    | 795 746                           | 892 530                               |
| Trade and other receivables                                       | 9     | 618 153                           | 758 726                           | 836 224                               |
| Inventories   |       | 3 849                             | 5 461                             | 4 229                                 |
| Taxation  |       | 3 442                             | 2 855                             | 3 069                                 |
| Cash and cash equivalents   | 24    | 156 906                           | 28 704                            | 49 008                                |
| <b>Total assets</b>   |       |                                   |                                   |                                       |
|   |       | <b>1 232 561</b>                  | 1 169 485                         | 1 279 469                             |
| <b>Equity and liabilities</b>                                     |       |                                   |                                   |                                       |
| <b>Equity</b>   |       |                                   |                                   |                                       |
|   |       | <b>683 654</b>                    | 636 240                           | 694 877                               |
| Equity attributable to owners of the parent                       |       | <b>679 065</b>                    | 639 584                           | 695 325                               |
| Stated capital  |       | 234 051                           | 234 051                           | 234 051                               |
| Treasury shares   | 10    | (13 075)                          | (13 065)                          | (13 075)                              |
| Fair value adjustment through other comprehensive income          |       | 1 338                             | 706                               | 1 768                                 |
| Foreign exchange differences on translation of foreign operations |       | (609)                             | 290                               | (304)                                 |
| Equity-settled employee benefits reserve                          |       | 9 076                             | 11 718                            | 5 529                                 |
| Retained earnings   |       | 448 284                           | 405 884                           | 467 356                               |
| Non-controlling interests   |       | 4 589                             | (3 344)                           | (448)                                 |
| <b>Non-current liabilities</b>                                    |       |                                   |                                   |                                       |
|   |       | <b>67 394</b>                     | 117 044                           | 57 022                                |
| Financial liabilities   | 11    | 30 131                            | 81 617                            | 17 698                                |
| Interest-bearing loans and borrowings                             |       | 5 483                             | 17 990                            | 14 781                                |
| Deferred tax liabilities  |       | 31 780                            | 17 437                            | 24 543                                |
| <b>Current liabilities</b>  |       |                                   |                                   |                                       |
|   |       | <b>481 513</b>                    | 416 201                           | 527 570                               |
| Trade and other payables  | 12    | 283 545                           | 149 285                           | 167 906                               |
| Interest-bearing loans and borrowings                             |       | 19 127                            | 12 488                            | 17 787                                |
| Financial liabilities   | 11    | 178 841                           | 254 428                           | 341 877                               |
| <b>Total equity and liabilities</b>                               |       |                                   |                                   |                                       |
|   |       | <b>1 232 561</b>                  | 1 169 485                         | 1 279 469                             |
| Net asset value per share   |       | <b>303</b>                        | 282                               | 308                                   |

# Condensed Consolidated Statement of Changes in Equity

for the six months ended 30 June 2020

## Attributable to owners of the parent

|  | Share capital and premium<br>R'000 | Treasury shares<br>R'000 | Fair value reserve<br>R'000 | Foreign currency translation reserve<br>R'000 | Equity-settled employee benefits reserve<br>R'000 | Retained earnings<br>R'000 | Total<br>R'000 | Non-controlling interest<br>R'000 | Total<br>R'000 |
|--|------------------------------------|--------------------------|-----------------------------|---|---|----------------------------|----------------|-----------------------------------|----------------|
| <b>Balance at 1 January 2020</b>                 | 234 051                            | (13 075)                 | 1 768                       | (304)   | 5 529   | 467 356                    | 695 325        | (448)                             | 694 877        |
| Recognition of share-based payments              | -                                  | -                        | -                           | -   | 3 547   | -                          | 3 547          | -                                 | 3 547          |
| Total comprehensive income for the period        | -                                  | -                        | (430)                       | (305)   | -   | (19 072)                   | (19 807)       | 5 037                             | (14 770)       |
| <b>Balance at 30 June 2020</b>                   | 234 051                            | (13 075)                 | 1 338                       | (609)   | 9 076   | 448 284                    | 679 065        | 4 589                             | 683 654        |
| <b>Balance at 1 January 2019</b>                 | 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 10)            | -                                  | (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         |
| <b>Balance at 30 June 2019</b>                   | 234 051                            | (13 065)                 | 706                         | 290   | 11 718  | 405 884                    | 639 584        | (3 344)                           | 636 240        |
| <b>Balance at 1 January 2019</b>                 | 234 051                            | (11 158)                 | 752                         | 549   | 9 288   | 367 791                    | 601 273        | (2 809)                           | 598 464        |
| Recognition of share-based payments              | -                                  | -                        | -                           | -   | 4 525   | -                          | 4 525          | -                                 | 4 525          |
| Issue of ordinary shares under share option plan | -                                  | -                        | -                           | -   | (8 284)   | 8 284                      | -              | -                                 | -              |
| Buy-back of shares (refer to note 10)            | -                                  | (1 917)                  | -                           | -   | -   | -                          | (1 917)        | -                                 | (1 917)        |
| Recognition of IFRS 9 adjustment                 | -                                  | -                        | -                           | -   | -   | -                          | -              | -                                 | -              |
| Sales of subsidiary                              | -                                  | -                        | -                           | -   | -   | -                          | -              | -                                 | -              |
| Payment of dividends                             | -                                  | -                        | -                           | -   | -   | (4 488)                    | (4 488)        | -                                 | (4 488)        |
| Total comprehensive income for the year          | -                                  | -                        | 1 016                       | (853)   | -   | 95 769                     | 95 932         | 2 361                             | 98 293         |
| <b>Balance at 31 December 2019</b>               | 234 051                            | (13 075)                 | 1 768                       | (304)   | 5 529   | 467 356                    | 695 325        | (448)                             | 694 877        |

# Condensed Consolidated Statement of Cash Flows

for the six months ended 30 June 2020

|  | Notes | Six months<br>to 30 June<br>2020<br>R'000 | Six months<br>to 30 June<br>2019<br>R'000 | Year to<br>31 December<br>2019<br>R'000 |
|--|-------|---|---|---|
| <b>Cash generated from operations before net working capital changes</b> |       | <b>(27 583)</b>                           | 66 567                                    | 111 845                                 |
| Cash generated from operations   | 18.1  | <b>(15 915)</b>                           | 80 193                                    | 138 601                                 |
| Finance income   |       | <b>461</b>                                | 532                                       | 1 278                                   |
| Finance costs  |       | <b>(10 227)</b>                           | (13 524)                                  | (27 094)                                |
| Taxation paid  |       | <b>(1 902)</b>                            | (634)                                     | (940)                                   |
| Decrease/(increase) in net working capital                               | 18.2  | <b>335 162</b>                            | (18 055)                                  | (76 111)                                |
| <b>Cash flows from operating activities</b>                              |       | <b>307 579</b>                            | 48 512                                    | 35 734                                  |
| <b>Cash flows from investing activities</b>                              |       | <b>(8 332)</b>                            | (10 088)                                  | (21 831)                                |
| Property, plant and equipment acquired – maintaining operations          | 6     | <b>(3 135)</b>                            | (4 870)                                   | (10 028)                                |
| (Loss)/gain on disposal of property, plant and equipment                 |       | –   | 130                                       | 386                                     |
| Dividends income   |       | –   | –   | 1 200                                   |
| Intangible assets acquired – maintaining operations                      | 8     | <b>(5 197)</b>                            | (5 348)                                   | (13 389)                                |
| <b>Cash flows from financing activities</b>                              |       | <b>(191 349)</b>                          | (51 268)                                  | (6 443)                                 |
| Repayment of borrowings  |       | <b>(177 370)</b>                          | (30 277)                                  | (1 255)                                 |
| Proceeds from borrowings   |       | <b>10 471</b>                             | 10 759                                    | 42 478                                  |
| Payment of lease liabilities   |       | <b>(10 497)</b>                           | (8 646)                                   | (18 693)                                |
| Payment for buy-back of shares   |       | –   | (1 907)                                   | (1 917)                                 |
| Dividends paid   |       | –   | (3 657)                                   | (4 487)                                 |
| Contingent consideration liability                                       | 18.3  | <b>(13 953)</b>                           | (17 540)                                  | (22 569)                                |
| <b>Net change in cash and cash equivalents</b>                           |       | <b>107 898</b>                            | (12 844)                                  | 7 460                                   |
| <b>Cash and cash equivalents at the beginning of the period</b>          |       | <b>49 008</b>                             | 41 548                                    | 41 548                                  |
| <b>Cash and cash equivalents at the end of the period</b>                |       | <b>156 906</b>                            | 28 704                                    | 49 008                                  |

# Notes to the Condensed Consolidated Interim Financial Statements

for the six months ended 30 June 2020

## 1. Nature of operations and general information

Workforce Holdings Limited (“the company”) 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 consolidated interim financial statements are presented in South African Rand (“ZAR”), which is the functional currency of the parent company.

The unaudited condensed consolidated interim financial statements were approved for issue by the Board of Directors on 20 August 2020.

## 2. Events after reporting date

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

## 3. Auditor’s responsibility

These unaudited condensed consolidated 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 consolidated 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 consolidated interim financial statements for the six months ended 30 June 2020 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. The accounting policies applied in preparation of these unaudited condensed consolidated interim financial results are consistent with those applied in the previous annual financial statements.

Despite the company being negatively impacted as stated, management is able to confirm that Workforce remains a going concern, with no debt covenants in breach and with sufficient liquidity to take the group through the current crisis.

# Notes to the Condensed Consolidated Interim Financial Statements (continued)

for the six months ended 30 June 2020

## 5. Right-of-use assets

|  | Property<br>R'000 | Motor<br>vehicles<br>R'000 | Total<br>R'000 |
|--|-------------------|----------------------------|----------------|
| <b>Six months to 30 June 2020</b>          |                   |                            |                |
| Carrying amount at 1 January 2020          | 22 576            | 5 607                      | 28 183         |
| Additions                                  | 1 162             | 1 568                      | 2 730          |
| Depreciation                               | (8 027)           | (2 005)                    | (10 032)       |
| <b>Carrying amount at 30 June 2020</b>     | <b>15 711</b>     | <b>5 170</b>               | <b>20 881</b>  |
| <b>Six months to 30 June 2019</b>          |                   |                            |                |
| Carrying amount at 1 January 2019          | 27 342            | 3 900                      | 31 242         |
| Additions                                  | 2 459             | 867                        | 3 326          |
| Depreciation                               | (7 331)           | (1 625)                    | (8 956)        |
| <b>Carrying amount at 30 June 2019</b>     | <b>22 470</b>     | <b>3 142</b>               | <b>25 612</b>  |
| <b>Year to 31 December 2019</b>            |                   |                            |                |
| Carrying amount at 1 January 2019          | 27 342            | 3 900                      | 31 242         |
| Additions                                  | 9 961             | 5 503                      | 15 464         |
| Depreciation                               | (14 727)          | (3 796)                    | (18 523)       |
| <b>Carrying amount at 31 December 2019</b> | <b>22 576</b>     | <b>5 607</b>               | <b>28 183</b>  |

Depreciation on right-of-use assets are included in "Depreciation and amortisation" in the statement of comprehensive income. The table below describes the nature of the group's leasing activities by type of right-of-use asset recognised on the balance sheet:

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

|                             | Number of<br>Right-<br>of-use of<br>assets<br>leased | Range of<br>remaining<br>term<br>(months) | Average<br>remaining<br>term<br>(months) | Number of<br>leases with<br>extension<br>options | Number of<br>leases with<br>options to<br>purchase | Number<br>leases<br>with variable<br>payments<br>linked to<br>an index | Number of<br>leases with<br>termination<br>options |
|-----------------------------|--|---|--|--|--|--|--|
| Interest-bearing borrowings |  |   |  |  |  |  |  |
| Property                    | 64   | 12–48 months                              | 60 months                                | 64   | –  | –  | 64   |
| Motor vehicles              | 63   | 12–58 months                              | 36 months                                | 63   | –  | –  | 63   |

## 5. Right-of-use assets *(continued)*

### Interest-bearing borrowings

The lease liabilities are secured by the related underlying assets. The discounted maturity analysis of lease liabilities at 30 June 2020 is as follows:

|  | Within a year<br>R'000 | 1-2 years<br>R'000 | 2-4 years<br>R'000 | Total<br>R'000 |
|--|------------------------|--------------------|--------------------|----------------|
| <b>Minimum lease payments due 30 June 2020</b> |                        |                    |                    |                |
| Lease payments                                 | 20 349                 | 5 789              | 605                | 26 743         |
| Finance charges                                | (1 222)                | (714)              | (197)              | (2 133)        |
| <b>Net present values</b>                      | <b>19 127</b>          | <b>5 075</b>       | <b>408</b>         | <b>24 610</b>  |
| <b>30 June 2019</b>                            |                        |                    |                    |                |
| Lease payments                                 | 20 266                 | 13 627             | –                  | 33 893         |
| Finance charges                                | (2 276)                | (1 139)            | –                  | (3 415)        |
| <b>Net present values</b>                      | <b>17 990</b>          | <b>12 488</b>      | <b>–</b>           | <b>30 478</b>  |
| <b>31 December 2019</b>                        |                        |                    |                    |                |
| Lease payments                                 | 20 104                 | 12 346             | 3 448              | 35 898         |
| Finance charges                                | (2 317)                | (846)              | (167)              | (3 330)        |
| <b>Net present values</b>                      | <b>17 787</b>          | <b>11 500</b>      | <b>3 281</b>       | <b>32 568</b>  |

## 6. Property, plant and equipment

|  | Motor<br>vehicles<br>R'000 | Computer<br>equipment<br>R'000 | Machinery<br>R'000 | Office<br>equip-<br>ment<br>R'000 | Leasehold<br>improve-<br>ments<br>R'000 | Training<br>manuals<br>R'000 | Land and<br>buildings<br>R'000 | Total<br>R'000 |
|--|----------------------------|--------------------------------|--------------------|-----------------------------------|---|------------------------------|--------------------------------|----------------|
| <b>Six months to</b>                     |                            |                                |                    |                                   |   |                              |                                |                |
| <b>30 June 2020</b>                      |                            |                                |                    |                                   |   |                              |                                |                |
| Carrying amount at                       |                            |                                |                    |                                   |   |                              |                                |                |
| 1 January 2020                           | 1 652                      | 4 144                          | 1 653              | 5 251                             | 2 905                                   | 2 337                        | 2 700                          | 20 642         |
| Additions                                | 292                        | 1 262                          | 428                | 946                               | 131                                     | 67                           | –                              | 3 126          |
| Disposals                                | –                          | (30)                           | –                  | (15)                              | –                                       | –                            | –                              | (45)           |
| Acquired through<br>business combination | –                          | 9                              | –                  | –                                 | –                                       | –                            | –                              | 9              |
| Depreciation                             | (585)                      | (1 572)                        | (442)              | (1 063)                           | (353)                                   | (601)                        | –                              | (4 616)        |
| <b>Carrying amount at</b>                |                            |                                |                    |                                   |   |                              |                                |                |
| <b>30 June 2020</b>                      | <b>1 359</b>               | <b>3 813</b>                   | <b>1 639</b>       | <b>5 119</b>                      | <b>2 683</b>                            | <b>1 803</b>                 | <b>2 700</b>                   | <b>19 116</b>  |

# Notes to the Condensed Consolidated Interim Financial Statements (continued)

for the six months ended 30 June 2020

## 6. Property, plant and equipment (continued)

|  | Motor vehicles<br>R'000 | Computer equipment<br>R'000 | Machinery<br>R'000 | Office equipment<br>R'000 | Leasehold improvements<br>R'000 | Training manuals<br>R'000 | Land and buildings<br>R'000 | Total<br>R'000 |
|--|-------------------------|-----------------------------|--------------------|---------------------------|---------------------------------|---------------------------|-----------------------------|----------------|
| <b>Six months to 30 June 2019</b>          |                         |                             |                    |                           |                                 |                           |                             |                |
| 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)        |
| <b>Carrying amount at 30 June 2019</b>     | <b>2 643</b>            | <b>4 683</b>                | <b>1 946</b>       | <b>5 079</b>              | <b>674</b>                      | <b>2 720</b>              | <b>2 700</b>                | <b>20 445</b>  |
| <b>Year to 31 December 2019</b>            |                         |                             |                    |                           |                                 |                           |                             |                |
| Carrying amount at                         |                         |                             |                    |                           |                                 |                           |                             |                |
| 1 January 2019                             | 2 944                   | 4 747                       | 2 484              | 4 119                     | 619                             | 2 653                     | 2 700                       | 20 266         |
| Additions                                  | 418                     | 2 891                       | 388                | 2 862                     | 2 596                           | 873                       | –                           | 10 028         |
| Disposals                                  | (305)                   | (9)                         | –                  | –                         | (43)                            | –                         | –                           | (357)          |
| Depreciation                               | (1 405)                 | (3 485)                     | (1 219)            | (1 730)                   | (267)                           | (1 189)                   | –                           | (9 295)        |
| <b>Carrying amount at 31 December 2019</b> | <b>1 652</b>            | <b>4 144</b>                | <b>1 653</b>       | <b>5 251</b>              | <b>2 905</b>                    | <b>2 337</b>              | <b>2 700</b>                | <b>20 642</b>  |

All depreciation chargers are included in “Depreciation and amortisation” in the statement of comprehensive income. No property, plant and equipment has been impaired during the year (2019: 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.

## 7. Goodwill

|  | Total<br>R'000 |
|--|----------------|
| <b>Six months to 30 June 2020</b>          |                |
| Carrying amount at 1 January 2020          | 192 993        |
| Acquired through business combination      | 22 787         |
| <b>Carrying amount at 30 June 2020</b>     | <b>215 780</b> |
| <b>Six months to 30 June 2019</b>          |                |
| Carrying amount at 1 January 2019          | 191 230        |
| Acquired through business combination      | 1 763          |
| <b>Carrying amount at 30 June 2019</b>     | <b>192 993</b> |
| <b>Year to 31 December 2019</b>            |                |
| Carrying amount at 1 January 2019          | 191 230        |
| Acquired through business combination      | 1 763          |
| <b>Carrying amount at 31 December 2019</b> | <b>192 993</b> |



## 8. Intangible assets

|  | Computer software<br>R'000 | Brands<br>R'000 | Training course accreditations<br>R'000 | Client relationships<br>R'000 | Development costs<br>R'000 | Total<br>R'000 |
|--|----------------------------|-----------------|---|-------------------------------|----------------------------|----------------|
| <b>Six months to 30 June 2020</b>          |                            |                 |   |                               |                            |                |
| Carrying amount at 1 January 2020          | 54 347                     | 114             | 14 090                                  | 5 729                         | 22                         | 74 302         |
| Additions                                  | 3 291                      | 25              | –                                       | –                             | 1 881                      | 5 197          |
| Acquired through business combination      | –                          | –               | –                                       | 15 847                        | –                          | 15 847         |
| Amortisation                               | (5 443)                    | (30)            | (2 062)                                 | (2 947)                       | –                          | (10 483)       |
| <b>Carrying amount at 30 June 2020</b>     | <b>52 195</b>              | <b>109</b>      | <b>12 028</b>                           | <b>18 629</b>                 | <b>1 903</b>               | <b>84 863</b>  |
| <b>Six months to 30 June 2019</b>          |                            |                 |   |                               |                            |                |
| Carrying amount at 1 January 2019          | 29 664                     | 76              | 18 214                                  | 14 352                        | 11 822                     | 74 128         |
| Additions                                  | 395                        | 11              | –                                       | –                             | 4 942                      | 5 348          |
| Amortisation                               | (3 473)                    | (15)            | (2 062)                                 | (4 619)                       | –                          | (10 169)       |
| <b>Carrying amount at 30 June 2019</b>     | <b>26 586</b>              | <b>72</b>       | <b>16 152</b>                           | <b>9 733</b>                  | <b>16 764</b>              | <b>69 307</b>  |
| <b>Year to 31 December 2019</b>            |                            |                 |   |                               |                            |                |
| Carrying amount at 1 January 2019          | 29 664                     | 76              | 18 214                                  | 14 352                        | 11 822                     | 74 128         |
| Additions                                  | 13 436                     | 75              | –                                       | –                             | (122)                      | 13 389         |
| Amortisation                               | (431)                      | (37)            | (4 124)                                 | (8 623)                       | –                          | (13 215)       |
| Additions from internal development        | 11 678                     | –               | –                                       | –                             | (11 678)                   | –              |
| <b>Carrying amount at 31 December 2019</b> | <b>54 347</b>              | <b>114</b>      | <b>14 090</b>                           | <b>5 729</b>                  | <b>22</b>                  | <b>74 302</b>  |

## 9. Trade and other receivables and impairments

The decrease in trade receivables compared to the prior period is mainly due to a reduction in sales as a direct result of the COVID-19 pandemic. In addition, the provision for doubtful debt has increased significantly as a result of the COVID-19 pandemic which has further contributed to the decrease in trade receivables.

## 10. Treasury shares

|  | Six months to 30 June 2020<br>R'000 | Six months to 30 June 2019<br>R'000 | Year to 31 December 2019<br>R'000 |
|--|-------------------------------------|-------------------------------------|-----------------------------------|
| Balance at the beginning of the period/year  | (13 075)                            | (11 158)                            | (11 158)                          |
| Share buy-back                               | –                                   | (1 907)                             | (1 917)                           |
| <b>Balance at the end of the period/year</b> | <b>(13 075)</b>                     | <b>(13 065)</b>                     | <b>(13 075)</b>                   |

## 11. Financial liabilities

Non-current financial liabilities have increased during the period under review due to the contingent consideration arising from the acquisition of Chartall Business College (refer to note 21).

Current financial liabilities have decreased due to reduced working capital requirements related to the decrease in sales and debtors as a direct result of the COVID-19 pandemic.

# Notes to the Condensed Consolidated Interim Financial Statements (continued)

for the six months ended 30 June 2020

## 12. Trade and other payables

The increase in trade payables compared to the prior period is mainly due to a VAT deferral. Due to the group decision to conserve cash, management approached SARS and were granted a deferral on payments of VAT for the period March 2020 to July 2020. The liability to SARS will be settled in six equal instalments beginning September 2020. Part of the increase is also due to payables related to UIF Temporary Employment Relief Services ("TERS") payments received, the value of that is R24.9 million.

## 13. 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 contracting 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 reporting segments better represent the current core trading of the group and allows for simple understanding and communication of the performance of the business.

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

|  | Staffing<br>and<br>Outsourcing<br>R'000 | Training<br>R'000 | Financial<br>services<br>R'000 | Healthcare<br>R'000 | Shared<br>Services<br>and<br>Central<br>costs<br>R'000 | Consoli-<br>dation<br>entries<br>R'000 | Total<br>R'000  |
|--|---|-------------------|--------------------------------|---------------------|--|--|-----------------|
| <b>Six months to June 2020</b>           |   |                   |                                |                     |  |  |                 |
| Segment revenues                         | 978 347                                 | 108 751           | 47 968                         | 138 155             | (120)  | -                                      | 1 273 101       |
| Inter-segment revenues                   | 6 666                                   | 4 997             | -                              | 1 285               | -  | (12 948)                               | -               |
| Cost of sales                            | (815 771)                               | (39 816)          | (26 457)                       | (100 756)           | 1 357  | -                                      | (981 443)       |
| Inter-segment cost of sales              | (6 667)                                 | -                 | -                              | -                   | -  | 6 667                                  | -               |
| Operating costs including<br>impairments | (123 303)                               | (58 241)          | (71 346)                       | (16 525)            | (39 598)   | -                                      | (309 013)       |
| Inter-segment operating costs            | -                                       | (4 996)           | -                              | (1 285)             | -  | 6 281                                  | -               |
| Other income                             | 6 570                                   | 8                 | 1 050                          | 8                   | 193  | -                                      | 7 829           |
| EBITDA                                   | 45 842                                  | 10 703            | (48 785)                       | 20 882              | (38 168)   | -                                      | (9 526)         |
| Fair value adjustments                   | -                                       | (1 846)           | (758)                          | -                   | (969)  | -                                      | (3 573)         |
| Depreciation and amortisation            | (6 286)                                 | (3 238)           | (978)                          | (1 039)             | (8 772)  | (4 819)                                | (25 132)        |
| Net finance costs                        | (528)                                   | (180)             | (605)                          | (82)                | (10 000)   | -                                      | (11 395)        |
| <b>Segment profit/(loss) before tax</b>  | <b>39 028</b>                           | <b>5 439</b>      | <b>(51 126)</b>                | <b>19 761</b>       | <b>(57 909)</b>  | <b>(4 819)</b>                         | <b>(49 626)</b> |
| Capital expenditure                      | 11 000                                  | 8 989             | 80                             | 234                 | 3 867  | -                                      | 24 170          |
| Segment total assets                     | 284 376                                 | 145 852           | 266 637                        | 28 542              | 730 757  | (223 603)                              | 1 232 561       |
| Segment total liabilities                | (68 764)                                | (98 778)          | (350 670)                      | (18 916)            | (24 970)   | 13 191                                 | (548 907)       |
| <b>Net segment assets/(liabilities)</b>  | <b>215 612</b>                          | <b>47 074</b>     | <b>(84 033)</b>                | <b>9 627</b>        | <b>705 787</b>   | <b>(210 412)</b>                       | <b>683 654</b>  |

### 13. Segment analysis (continued)

|  | Staffing<br>and<br>Outsourcing<br>R'000 | Training<br>R'000 | Financial<br>services<br>R'000 | Healthcare<br>R'000 | Shared<br>Services<br>and<br>Central<br>costs<br>R'000 | Consoli-<br>dation<br>entries<br>R'000 | Total<br>R'000 |
|--|---|-------------------|--------------------------------|---------------------|--|--|----------------|
| <b>31 December 2019</b>                  |   |                   |                                |                     |  |  |                |
| Segment revenues                         | 2 592 173                               | 268 577           | 94 286                         | 272 331             | (313)  | –                                      | 3 227 054      |
| Inter-segment revenues                   | 13 175                                  | 17 896            | –                              | 1 711               | –  | (32 782)                               | –              |
| Cost of sales                            | (2 179 819)                             | (121 379)         | (31 253)                       | (192 159)           | (49)   | –                                      | (2 524 659)    |
| Inter-segment cost of sales              | (13 175)                                | –                 | –                              | –                   | –  | 13 175                                 | –              |
| Operating costs including<br>impairments | (284 615)                               | (93 368)          | (48 379)                       | (51 306)            | (85 194)   | –                                      | (562 862)      |
| Inter-segment operating costs            | (1 839)                                 | (16 186)          | –                              | (1 582)             | –  | 19 607                                 | –              |
| Other income                             | 54                                      | 143               | 1 180                          | 9                   | 16   | –                                      | 1 402          |
| EBITDA                                   | 125 954                                 | 55 683            | 15 834                         | 29 004              | (85 540)   | –                                      | 140 935        |
| Fair value adjustments                   | –                                       | –                 | (385)                          | –                   | 30 532   | –                                      | 30 147         |
| Depreciation and amortisation            | (11 475)                                | (4 982)           | (1 804)                        | (2 277)             | (7 140)  | (13 352)                               | (41 030)       |
| Net finance costs                        | (10 423)                                | (1 053)           | (1 380)                        | (1 616)             | (16 507)   | –                                      | (30 979)       |
| <b>Segment profit/(loss) before tax</b>  | <b>104 110</b>                          | <b>49 791</b>     | <b>13 445</b>                  | <b>25 120</b>       | <b>(78 639)</b>  | <b>(13 352)</b>                        | <b>100 475</b> |
| Capital expenditure                      | 2 600                                   | 4 973             | 1 158                          | 441                 | 14 245   | –                                      | 23 417         |
| Segment total assets                     | 415 703                                 | 119 363           | 284 932                        | 17 788              | 651 731  | (210 048)                              | 1 279 469      |
| Segment total liabilities                | (21 037)                                | (66 477)          | (352 954)                      | 7 964               | (160 357)  | 8 269                                  | (584 592)      |
| <b>Net segment assets/(liabilities)</b>  | <b>394 666</b>                          | <b>52 886</b>     | <b>(68 022)</b>                | <b>25 752</b>       | <b>491 374</b>   | <b>(201 779)</b>                       | <b>694 877</b> |
| <b>Six months to June 2019</b>           |   |                   |                                |                     |  |  |                |
| 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 including<br>impairments | (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 amortisation            | (6 685)                                 | (3 096)           | (439)                          | (1 300)             | (5 237)  | (6 984)                                | (23 741)       |
| Net finance costs                        | (1 508)                                 | (327)             | (700)                          | (271)               | (12 225)   | –                                      | (15 031)       |
| <b>Segment profit/(loss) before tax</b>  | <b>56 341</b>                           | <b>23 972</b>     | <b>2 424</b>                   | <b>14 379</b>       | <b>(51 828)</b>  | <b>(6 984)</b>                         | <b>38 304</b>  |
| 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)      |
| <b>Net segment assets/(liabilities)</b>  | <b>405 776</b>                          | <b>59 143</b>     | <b>(58 319)</b>                | <b>18 852</b>       | <b>409 938</b>   | <b>(199 150)</b>                       | <b>636 240</b> |

# Notes to the Condensed Consolidated Interim Financial Statements (continued)

for the six months ended 30 June 2020

## 13. Segment analysis (continued)

### 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 2020.

## 14. 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 | Healthcare R'000 | Total R'000      |
|--|--------------------------------|----------------|--------------------------|------------------|------------------|
| <b>Six months to June 2020</b>   |                                |                |                          |                  |                  |
| Staffing solutions   | 965 303                        | –              | –                        | –                | 965 303          |
| Placement fees   | 11 460                         | –              | –                        | –                | 11 460           |
| Payroll management   | 1 464                          | –              | –                        | –                | 1 464            |
| Accredited courses, education and training                                 | –                              | 108 751        | –                        | –                | 108 751          |
| Funeral cover and lending services   | –                              | –              | 47 968                   | –                | 47 968           |
| Medical cover, healthcare, wellness programmes and health risk assessments | –                              | –              | –                        | 138 155          | 138 155          |
|  | <b>978 227</b>                 | <b>108 751</b> | <b>47 968</b>            | <b>138 155</b>   | <b>1 273 101</b> |
| <b>Six months to June 2019</b>   |                                |                |                          |                  |                  |
| 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          |
|  | <b>1 217 453</b>               | <b>128 272</b> | <b>54 542</b>            | <b>132 244</b>   | <b>1 532 511</b> |
| <b>Year to December 2019</b>   |                                |                |                          |                  |                  |
| Staffing solutions   | 2 554 650                      | –              | –                        | –                | 2 554 650        |
| Placement fees   | 35 017                         | –              | –                        | –                | 35 017           |
| Payroll management   | 2 193                          | –              | –                        | –                | 2 193            |
| Accredited courses, education and training                                 | –                              | 268 577        | –                        | –                | 268 577          |
| Funeral cover and lending services   | –                              | –              | 94 286                   | –                | 94 286           |
| Medical cover, healthcare, wellness programmes and health risk assessments | –                              | –              | –                        | 272 331          | 272 331          |
|  | <b>2 591 860</b>               | <b>268 577</b> | <b>94 286</b>            | <b>272 331</b>   | <b>3 227 054</b> |

## 15. Taxation

As with previous financial years, the group's low tax rate arises primarily from the income derived from the Employee Tax Incentives ("ETI") programme not being taxable, and the learnership allowances that are claimed in terms of section 12H of the Income Tax Act. The ETI has been 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 with regards to our taxable profits. One of our strategic reasons for diversifying the business is to ensure that, should the ETI come to an end, Workforce will not be negatively impacted.

## 16. Earnings per share

|  | Six months<br>to 30 June<br>2020 | Six months<br>to 30 June<br>2019 | Year to<br>31 December<br>2019 |
|--|----------------------------------|----------------------------------|--------------------------------|
| <b>Basic (loss)/earnings per share</b>   |                                  |                                  |                                |
| Profit attributable to equity shareholders of the parent company (R'000)   | (19 072)                         | 41 750                           | 95 769                         |
| Weighted average number of shares in issue ('000)  | 225 492                          | 225 492                          | 225 492                        |
| Diluted weighted average number of shares in issue ('000)  | 231 013                          | 225 492                          | 232 356                        |
| Basic (loss)/earnings per share (cents)  | (8.5)                            | 18.5                             | 42.5                           |
| Diluted (loss)/earnings per share (cents)  | (8.3)                            | 18.5                             | 41.2                           |
| <b>Headline earnings per share</b>   |                                  |                                  |                                |
| The (loss)/earnings used in the calculation of headline earnings per share are as follows:   |                                  |                                  |                                |
| (Loss)/profit attributable to equity shareholders of the parent company (R'000)  | (19 072)                         | 41 750                           | 95 769                         |
| Headline earnings adjustment (R'000)   | –                                | 94                               | (124)                          |
| – Gain/(loss) on disposal of property, plant and equipment (R'000)   | –                                | 130                              | (172)                          |
| – Sale of subsidiary (R'000)   | –                                | –                                | –                              |
| – Tax effect of adjustments (R'000)  | –                                | (36)                             | 48                             |
| Total headline (loss)/earnings (R'000)   | (19 072)                         | 41 844                           | 95 645                         |
| Weighted average number of shares in issue ('000)  | 225 492                          | 225 492                          | 225 492                        |
| Headline (loss)/earnings per share (cents)   | (8.5)                            | 18.6                             | 42.4                           |
| 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 (loss)/earnings per share as follows: |                                  |                                  |                                |
| Shares deemed to be issued for no consideration in respect of:   |                                  |                                  |                                |
| Employee options   | 5 521                            | –                                | 6 864                          |
| Weighted average number of ordinary shares in the calculation of diluted earnings per share  | 231 013                          | 225 492                          | 232 356                        |

## 17. Dividends

No dividends were declared relating to the period under review.

# Notes to the Condensed Consolidated Interim Financial Statements (continued)

for the six months ended 30 June 2020

## 18. Notes to the Condensed Consolidated Statement of Cash Flows

|   | Six months<br>to 30 June<br>2020<br>R'000 | Six months<br>to 30 June<br>2019<br>R'000 | Year to<br>31 December<br>2019<br>R'000 |
|---|---|---|---|
| <b>18.1 Cash generated from operations</b>  |   |   |   |
| (Loss)/profit before taxation   | (49 626)                                  | 38 304                                    | 99 073                                  |
| Finance income  | (461)                                     | (532)                                     | (1 278)                                 |
| Finance costs   | 10 227                                    | 13 524                                    | 27 094                                  |
| Dividend income   | –   | –   | (1 200)                                 |
| <b>Adjustment for non-cash items:</b>   |   |   |   |
| Gain on disposal of property, plant and equipment   | –   | 19  | 357                                     |
| Amortisation of acquired intangible assets  | 10 483                                    | 6 984                                     | 41 030                                  |
| Gain on bargain purchase iro acquisition  | (6 226)                                   | –   | –                                       |
| Depreciation and impairment of property, plant and equipment and right-of-use assets                                | 14 648                                    | 16 757                                    | –                                       |
| Gain/(loss) arising on financial liability at fair value through profit or loss                                     | 1 814                                     | 2 966                                     | (30 147)                                |
| Foreign exchange differences on translation of foreign operations   | (321)                                     | (259)                                     | (853)                                   |
| Expense/(reversal) recognised in respect of equity-settled share-based payment                                      | 3 547                                     | 2 430                                     | (3 759)                                 |
| Shares issued   | –   | –   | 8 284                                   |
|   | <b>(15 915)</b>                           | 80 193                                    | 138 601                                 |
| <b>18.2 Working capital changes</b>   |   |   |   |
| Change in trade and other receivables   | 219 920                                   | (23 899)                                  | (101 437)                               |
| Change in inventories   | 380                                       | (419)                                     | 736                                     |
| Change in trade payables  | 114 862                                   | 6 263                                     | 24 590                                  |
|   | <b>335 162</b>                            | (18 055)                                  | (76 111)                                |
| <b>18.3 Net cash flow on acquisition of business</b>  |   |   |   |
| Net cash outflow on the acquisition of subsidiaries – current year  | (13 953)                                  | (200)                                     | –                                       |
| Net cash outflow on the acquisition of subsidiaries relating to contingent consideration – prior year's acquisition | –   | (17 340)                                  | –                                       |
|   | <b>(13 953)</b>                           | (17 540)                                  | –                                       |

## 19. Financial assets and financial liabilities

|  | Six months<br>to 30 June<br>2020<br>R'000 | Six months<br>to 30 June<br>2019<br>R'000 | Year to<br>31 December<br>2019<br>R'000 |
|--|---|---|---|
| <b>19.1.1 Financial assets and liabilities</b>                     |   |   |   |
| <b>Financial assets at amortised cost</b>                          |   |   |   |
| Trade and other receivables  | 609 592                                   | 725 968                                   | 803 991                                 |
| Cash and cash equivalents  | 156 906                                   | 28 704                                    | 49 008                                  |
| <b>Financial assets at fair value through profit or loss</b>       |   |   |   |
| Quoted equity shares   | 3 402                                     | 2 770                                     | 3 832                                   |
| Investment in cell captive   | 2 347                                     | 3 855                                     | 3 105                                   |
| <b>Total</b>   | <b>772 247</b>                            | <b>761 297</b>                            | <b>859 936</b>                          |
| <b>Total current</b>   | <b>5 749</b>                              | <b>6 625</b>                              | <b>852 999</b>                          |
| <b>Total non-current</b>   | <b>766 498</b>                            | <b>754 672</b>                            | <b>6 937</b>                            |
| <b>Financial liabilities</b>                                       |   |   |   |
| <b>Financial liabilities at amortised cost</b>                     |   |   |   |
| Trade and other payables   | 188 233                                   | 144 356                                   | 72 088                                  |
| Interest-bearing borrowings  | 19 127                                    | 220 108                                   | 276 246                                 |
| Loan on treasury shares  | 8 329                                     | 8 045                                     | 7 974                                   |
| <b>Financial liabilities at fair value through profit and loss</b> |   |   |   |
| Contingent consideration   | 33 057                                    | 53 063                                    | 15 007                                  |
| Current  | 12 418                                    | 10 781                                    | 5 683                                   |
| Non-current  | 20 639                                    | 42 282                                    | 9 324                                   |
| <b>Total</b>   | <b>248 746</b>                            | <b>425 572</b>                            | <b>371 315</b>                          |
| <b>Total current</b>   | <b>219 778</b>                            | <b>375 245</b>                            | <b>354 017</b>                          |
| <b>Total non-current</b>   | <b>28 968</b>                             | <b>50 327</b>                             | <b>17 298</b>                           |

All financial instruments carried at amortised cost have carrying values which approximate their fair value.

19.1.2 The following table provides the fair value measurement hierarchy of the group's financial assets and financial liabilities as at June 2020 and June 2019;

|  | Date of<br>valuation | Total<br>R'000 | Quoted prices<br>in active<br>markets<br>Level 1<br>R'000 | Significant<br>observable<br>inputs<br>Level 2<br>R'000 | Significant<br>unobservable<br>inputs<br>Level 3<br>R'000 |
|--|----------------------|----------------|---|---|---|
| <b>As at 30 June 2020</b>                                    |                      |                |   |   |   |
| <b>Financial assets</b>                                      |                      |                |   |   |   |
| Quoted equity shares   | 30 June 2020         | 3 402          | 3 402   | –   | –   |
| Cell captive   | 30 June 2020         | 2 347          | –   | –   | 2 347   |
| <b>Financial liabilities</b>                                 |                      |                |   |   |   |
| Contingent consideration relating<br>to business combination | 30 June 2020         | 33 144         | –   | –   | 33 144  |

# Notes to the Condensed Consolidated Interim Financial Statements (continued)

for the six months ended 30 June 2020

## 19. Financial assets and financial liabilities (continued)

19.1.2 The following table provides the fair value measurement hierarchy of the group's financial assets and financial liabilities as at June 2020 and June 2019: (continued)

|   | 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 |
|---|-------------------|-------------|---|---|---|
| <b>As at 30 June 2019</b>                                 |                   |             |   |   |   |
| <b>Financial assets</b>                                   |                   |             |   |   |   |
| Quoted equity shares                                      | 30 June 2019      | 2 770       | 2 770   | –   | –   |
| Cell captive  | 30 June 2019      | 3 855       | –   | –   | 3 855   |
| <b>Financial liabilities</b>                              |                   |             |   |   |   |
| Contingent consideration relating to business combination | 30 June 2019      | 53 063      | –   | –   | 53 063  |
| <b>As at 31 December 2019</b>                             |                   |             |   |   |   |
| <b>Financial assets</b>                                   |                   |             |   |   |   |
| Quoted equity shares                                      | 31 December 2019  | 3 832       | 3 832   | –   | –   |
| Cell captive  | 31 December 2019  | 3 105       | –   | –   | 3 105   |
| <b>Financial liabilities</b>                              |                   |             |   |   |   |
| Contingent consideration relating to business combination | 31 December 2019  | 15 007      | –   | –   | 15 007  |

### 19.1.3 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 2020 and 2019 are shown below:

|                            | Valuation technique   | Significant unobservable inputs  | Sensitivity of the input to fair value  |
|----------------------------|---|--|---|
| <b>Financial assets</b>    |   |  |   |
| 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. The fair value of the cell captive's assets is R2 613 586 the majority of which comprises cash and the fair value of the cell captives liabilities is R266 609. | 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. |



19.1.3 Description of significant unobservable inputs to valuation *(continued)*

|   | Valuation technique  | Significant unobservable inputs  | Sensitivity of the input to fair value  |
|---|--|--|---|
| <b>Financial liabilities</b>                              |  |  |   |
| 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 R72 800 (2019: R66 600). |
|   |  | Probability adjusted profits with ranges of R6 900 000 to R15 500 000.   | A slight change in the probability adjusted profits in isolation would not result in a significant change in the fair value.  |

19.1.4 Reconciliation of level 3 fair value measurements

|   | Investment in cell captive<br>R'000 | Contingent consideration<br>R'000 | Total<br>R'000 |
|---|-------------------------------------|-----------------------------------|----------------|
| <b>As at 30 June 2020</b>                                       |                                     |                                   |                |
| Opening balance   | 3 105                               | 15 007                            | 18 112         |
| Gain/(loss) in profit or loss                                   | (758)                               | 2 901                             | 2 143          |
| Additions   | –                                   | 29 189                            | 29 189         |
| Release on liability  | –                                   | (13 953)                          | (13 953)       |
| Closing balance   | 2 347                               | 33 144                            | 35 491         |
| Change in unrealised gains or losses included in profit or loss | (758)                               | 2 901                             | 2 143          |
| <b>As at 30 June 2019</b>                                       |                                     |                                   |                |
| Opening balance   | 3 490                               | 31 401                            | 34 891         |
| Gain/(loss) in profit or loss                                   | 366                                 | 3 331                             | 3 697          |
| Additions   | –                                   | 300                               | 300            |
| Release on liability  | –                                   | 10 278                            | 10 278         |
| Closing balance   | 3 856                               | 45 310                            | 49 166         |
| Change in unrealised gains or losses included in profit or loss | 366                                 | 3 331                             | 3 697          |
| <b>As at 31 December 2019</b>                                   |                                     |                                   |                |
| Opening balance   | 3 490                               | 31 401                            | 34 891         |
| Gain/(loss) in profit or loss                                   | (385)                               | 17 885                            | 17 500         |
| Additions   | –                                   | –                                 | –              |
| Release on liability  | –                                   | (34 279)                          | (34 279)       |
| Closing balance   | 3 105                               | 15 007                            | 18 112         |
| Change in unrealised gains or losses included in profit or loss | (385)                               | 17 885                            | 17 500         |

Changes in unrealised gains or losses for the period included in profit or loss or assets and liabilities held at the end of the reporting period are included under “fair value adjustments” in the statement of comprehensive income.

# Notes to the Condensed Consolidated Interim Financial Statements (continued)

for the six months ended 30 June 2020

## 20. Related-party transactions

### 20.1 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:

|   |   | June<br>2020<br>R'000 | June<br>2019<br>R'000 | December<br>2019<br>R'000 |
|---|---|-----------------------|-----------------------|---------------------------|
| Wellington Investments Proprietary Limited                    |   |                       |                       |                           |
| Relationship:   | Director has significant influence  |                       |                       |                           |
| Type and term of transaction                                  | The operating lease contains an initial five-year term expiring on 31 May 2021 with an 8% annual escalation and is paid monthly | 7 194                 | 7 111                 | 14 222                    |
| Vunani Capital Proprietary Limited                            |   |                       |                       |                           |
| Relationship:   | Shareholder   |                       |                       |                           |
| Type and term of transaction                                  | Designated advisor's fees paid in terms of service level agreement  | 171                   | –                     | 144                       |
| Hunts Attorneys   |   |                       |                       |                           |
| Relationship:   | Director with an interest in a legal practice – RS Katz   |                       |                       |                           |
| Type and term of transaction                                  | Disbursements for all cost related to litigation, commercial and labour work and advice on group's behalf                       | 612                   | 75                    | 151                       |
| Guardrisk Insurance Company Limited                           |   |                       |                       |                           |
| Relationship:   | Cell captive arrangement  |                       |                       |                           |
| Type and term of transaction                                  | Insurance premium paid monthly to cell captive in line with policy  | 247                   | 306                   | 695                       |
| Monte Legal Consultants Proprietary Limited                   |   |                       |                       |                           |
| Relationship:   | Shareholder   |                       |                       |                           |
| Type and term of transaction                                  | Advisor's fees in terms of business acquisitions  | 54                    | 238                   | 320                       |
| <b>20.2 Related-party transactions</b>                        |   |                       |                       |                           |
| Amounts due from/(payable to) related parties are as follows: |   |                       |                       |                           |
| Simgarvin Investments Proprietary Limited                     |   |                       |                       |                           |
| Relationship:   | Company controlled by a director of the group   | <b>(8 329)</b>        | (8 045)               | (7 974)                   |
| Hunts Attorneys   |   |                       |                       |                           |
| Relationship:   | Director with an interest in a legal practice – RS Katz   | 162                   | 162                   | 162                       |

## 21. Business combination

### 21.1.1 Business acquired

| 2020  | Principal activity   | Date of acquisition | Portion of business | Consideration transferred R'000 |
|---|--|---------------------|---------------------|---------------------------------|
| Uni Education Group Proprietary Limited ("UEG") | 100% holding company of Chartall Business College (Pty) Ltd ("Chartall Business College"), a registered and accredited provider of training services and educational qualifications primarily to the financial services sector and mainly through the on-line medium | 1 January 2020      | 100%                | 34 883                          |

Workforce has obtained control of the above mentioned entity by acquiring 100% of the equity and voting rights in UEG. UEG was acquired in order to grow and diversify Workforce's training segment by providing specialised training programmes in addition to the existing training programmes currently offered.

### 21.1.2 Consideration

|                                    | Total R'000   |
|------------------------------------|---------------|
| Cash                               | 13 953        |
| Contingent consideration           | 20 930        |
| <b>Total</b>                       | <b>34 883</b> |
| <b>First consideration</b>         |               |
| First payment                      | 13 558        |
| <b>Contingent consideration</b>    |               |
| Second payment                     | 5 785         |
| Third payment                      | 4 923         |
| Fourth payment                     | 4 923         |
| <b>Subtotal of future payments</b> | <b>15 631</b> |
| Interest raised on future payments | 5 694         |
| <b>Total</b>                       | <b>34 883</b> |

Under the contingent consideration arrangement for UEG, Workforce is obliged to pay an amount of up to R6 976 578 (inclusive of future interest) subject to UEG achieving a maximum after tax profit of R7 499 821 for the 12 months ending 31 December 2020 and an amount of up to R6 976 578 (inclusive of future interest) subject to UEG achieving a maximum after tax profit of R8 062 308 for the 12 months ending 31 December 2021. In the event that either of these profit targets are not achieved, the amounts that Workforce is obliged to pay in each year will be reduced by R2 for every R1 shortfall in achieved profit after tax. The directors believe that these payments are probable. Should the aggregate after tax profit for the 24 month period ending 31 December 2021 range between R15 562 129 and R19 050 418, an additional payment of up to R6 976 578 (inclusive of future interest) may also be payable. This payment is also calculated using an agreed upon formula. The directors are unable to give an opinion as to the probability of this payment.

# Notes to the Condensed Consolidated Interim Financial Statements (continued)

for the six months ended 30 June 2020

## 21. Business combination (continued)

### 21.1.3 Assets acquired and liabilities recognised at the date of acquisition

|                               | Total<br>R'000 |
|-------------------------------|----------------|
| <b>Non-current assets</b>     | 7 229          |
| Property, plant and equipment | 9              |
| Intangible assets             | 7 200          |
| Deferred tax asset            | 20             |
| <b>Current assets</b>         | 1 967          |
| Trade and other receivables   | 1 849          |
| Cash and cash equivalents     | 118            |
| <b>Current liabilities</b>    | (2 793)        |
| Deferred tax liabilities      | (2 016)        |
| Trade and other payables      | (777)          |
| <b>Total</b>                  | <b>6 403</b>   |

The receivables acquired (principally trade receivables) in this transaction with fair value of R14 849 703 for Chartall Business College is equivalent to the gross contractual amount. All contractual cash flows are expected to be collected.

|  | Total<br>R'000 |
|--|----------------|
| <b>Net cash outflow on acquisition of subsidiaries</b> |                |
| Consideration to be paid in cash                       | 34 883         |
| Less: Cash and cash equivalent balances acquired       | (118)          |
| <b>Total</b>   | <b>34 883</b>  |
| <b>Goodwill arising on acquisition</b>                 |                |
| Consideration  | 34 883         |
| Less: Fair value of identifiable net assets acquired   | (6 402)        |
| Less: Interest raised on future payments               | (5 694)        |
| Goodwill arising on acquisition                        | 22 787         |

Goodwill arises on the acquisition of UEG because the cost of the combination includes a control premium. In addition, the consideration paid for the combination effectively includes 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 UEG acquisition is expected to be deductible for tax purposes.

### 21.2.1 Business acquired

| 2020     | Principal activity   | Date of acquisition | Portion of business | Consideration transferred R'000 |
|----------|--|---------------------|---------------------|---------------------------------|
| Transman | Staffing support services including temporary, contract and permanent staffing, productivity-based outsourcing, payroll, recruitment, HR and IR, health and safety, training and skills development and employee wellness. | 1 May 2020          | –                   | –                               |

In terms of IFRS3, the employment of some of the former staff of Transman (Pty) Ltd (in liquidation) (“Transman”) as well as the assumption of certain client relationships previously with Transman constitutes a business combination. Workforce Worldwide Staffing (Pty) Ltd, a wholly owned subsidiary within the Workforce group, has employed these staff and assumed those client relationships. This business combination gives Workforce an increased customer base as well as bringing on board skilled and experienced staff.

### 21.2.2 Consideration transferred

|                           | Total R'000 |
|---------------------------|-------------|
| No consideration was paid | –           |
| <b>Total</b>              | <b>–</b>    |

### 21.2.3 Assets acquired and liabilities recognised at the date of acquisition

|                                 | Total R'000  |
|---------------------------------|--------------|
| Intangible assets               | 8647         |
| Deferred tax asset              | (2 421)      |
| <b>Gain on bargain purchase</b> | <b>6 226</b> |

Intangible assets acquired represents the independently calculated value of client relationships that have been assumed by Workforce as a result of the employment of key employees from Transman who have the relationships with those former Transman clients. The recognition of the intangible assets at fair value has directly resulted in the gain on bargain purchase recorded in other income.

#### *Impact of acquisitions on the results of the group*

Revenue from the UEG acquisition amounted to R11 284 000 with profit after tax of R4 120 000 for the period under review. Acquisition-related costs amounting to R276 747 have been excluded from the consideration transferred and have been recognised as an expense in the profit or loss.

The impact of the Transman acquisition on the group for the period under review amounts to R4 573 053, which comprises the gain on bargain purchase less operating losses that were incurred while operationalising the acquired business and amortisation of the intangible asset for this period.

It is not possible to quantify the impact of the Transman acquisition on the results of the group had the acquisition been effective from 1 January 2020. The reason for this is that we are unable to meaningfully estimate the retrospective revenues and related costs attributable to the clients that have been assumed by Workforce at this stage.

# Notes to the Condensed Consolidated Interim Financial Statements (continued)

for the six months ended 30 June 2020

## 22. Changes to the board

There were no changes to the board during the period under review.

## 23. Restatements of prior period results

### Statement of cash flows

A reclassification has been made to the prior period's consolidated statement of cash flows. Cash flows arising from the repayment of contingent consideration liabilities was incorrectly classified as an investing activity. This has now been corrected to be classified as a financing activity. The reclassification does not affect profit or loss.

|                                      | Restated<br>30 June<br>2019<br>R'000 | Previously<br>reported<br>30 June<br>2019<br>R'000 | Adjustment<br>R'000 |
|--------------------------------------|--------------------------------------|--|---------------------|
| Cash flows from investing activities | (10 088)                             | (27 628)   | 17 540              |
| Contingent consideration liability   | 17 540                               | 17 540   | –                   |
| Cash flows from financing activities | (51 268)                             | (33 728)   | (17 540)            |

### Statement of Financial Position

Interest-bearing borrowings at 30 June 2019 was disclosed as non-current in nature. The current portion of interest-bearing borrowings has now been reclassified to current liabilities. The reclassification does not affect profit or loss.

|                                       | Restated<br>30 June<br>2019<br>R'000 | Previously<br>reported<br>30 June<br>2019<br>R'000 | Adjustment<br>R'000 |
|---------------------------------------|--------------------------------------|--|---------------------|
| <b>Non-current liabilities</b>        | 117 044                              | 129 532  | (12 488)            |
| Interest-bearing loans and borrowings | 17 990                               | 30 478   | (12 488)            |
| <b>Current liabilities</b>            | 416 201                              | 403 713  | 12 488              |
| Interest-bearing loans and borrowings | 12 488                               | –  | 12 488              |

## 24. Cash and cash equivalents

R24.9 million of the cash and cash equivalents balance at 30 June 2020 comprises UIF TERS funds received by the group on behalf of employees. A corresponding liability for the amount due to the employees has been recognised under trade and other payables (Refer note 12).

## 25. Matters of material judgement

The directors of Workforce would like to highlight that these numbers include claims made relating to the Extended Employment Tax Incentives according to the draft Disaster Management Tax Relief Bill published on 24 June 2020, which is effective retrospectively to 1 April 2020. This Bill is still open for public comment and has not been promulgated. By nature of the fact that this Bill has not been promulgated and there is doubt as to the interpretation of the Bill, some uncertainty exists as to the financial impact, and the resultant reported revenue recognised. Amounts included as revenue in these results are based on management's most conservative view of the Bill.

# Corporate information

## Executive directors

RS Katz  
WP van Wyk

## Non- executive directors

JR Macey (*Chairman*) (*Independent*)  
I Ross  
S Thomas (*Independent*)  
KN Vundla (*Independent*)  
S Naidoo

## Company secretary

Sirkien van Schalkwyk

## Designated advisor

Merchantec Capital

## Registered office

11 Wellington Road  
Parktown  
2193  
PO Box 11137  
Johannesburg  
2000

## Business address

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

## Website address

[www.workforce.co.za](http://www.workforce.co.za)



**workforce**  
HOLDINGS LIMITED

[www.workforce.co.za](http://www.workforce.co.za)

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