workforce
HOLDINGS LIMITED

Uplifting people.
Growing business.

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL RESULTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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

WHAT WE DO

The group invests in companies that provide Human Resource solutions including employment, functional outsourcing, training, healthcare, wellness, financial services and lifestyle benefits to individuals and their employers.

INVESTMENT CLUSTER OPERATING STRUCTURE

Investment clusters	Brands and offerings
Staffing and Outsourcing	This investment 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. This is achieved through a cohesive working relationship with our clients and further enhanced through our specialisation in industry specific placements.
Training	Our Training division expanded through the acquisition of specialised training and education providers which operate in the fields of management training, learnerships, internships and specialised compliance training. We aim to improve trainees' employability and earning capability of employed people to earn more in the shortest time possible with our training solutions. KBC and Prisma focus on training and on-boarding in the mining industry. The group also focuses on the training of nurses by Allmed and cyber security training through Cyber. Chartall Business College ("Chartall") is a registered training provider and offers degrees in Business Administration and specialises in Financial Advisory and Intermediary Services ("FAIS") training for the banking industry.

Investment clusters

Brands and offerings

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. These services are delivered by 68 onsite clinics at various clients providing primary care, Covid-19 prevention and occupational healthcare; seven walk-in occupational health centres nationally; 12 mobile units providing occupational health screening; 24-hour call-centre and 300 affiliate psychologists/social workers nationally.

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 financial services, lifestyle benefit packages and support services to employees of the group as well as insurance products including low-cost medical insurance and funeral insurance, both to the group and external customers.

Africa*

Offering the full array of Workforce's employee management services, the Africa cluster serves all industries across the African continent. By recruiting from local communities and partnering with local staffing and recruitment companies, Workforce Africa offers staffing, training, healthcare, and financial services. Workforce Africa combines the expertise of the different investment clusters in the group and provides these products and services into Africa, where there is a great need.

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

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

CORNERSTONES OF GROUP CULTURE

Resilience and agility | be humble, gracious and caring | absolute vigilance to ensure we emerge stronger and safer through the pandemic | today and always, we will be uplifting people and growing business in addition to ensuring the provision of leadership training for our employees.

29 trading brands	**Six** active branches beyond our borders
95 branches in South Africa	Operational in **five** countries outside of South Africa

KEY FEATURES FOR THE SIX-MONTH PERIOD

Revenue increased by **29%** to **R1,6 billion**
(2020: R1,3 billion)

EBITDA is positive at **R58,0 million**
(2020: -R9,5 million)

Cash flow from operating activities decreased to **R19,8 million**
(2020: R307,6 million) due to normalisation of activities

EPS increased substantially (232%) to **11,2 cents** per share
(2020: -8,5 cents per share)

Days sales outstanding improved to **45 days**
(2020: 52 days)

New acquisitions in the period were The GetSavvi Group and The OpenSource Group with a contingent consideration of **R50 million** combined

Investment cluster operations traded and contended exceptionally well through the **"new normal"** operating environment brought about by the Covid-19 pandemic

COMMENTARY

INTRODUCTION

During the first six months of the new financial year, the Workforce group experienced a recovery in certain of the operations and others, which have not managed to recover completely, have improved their comparable results. The group benefited from its diverse revenue streams and the pandemic forced an evaluation and containment of costs, all of which were well implemented. Volumes of activity have not yet returned to levels experienced pre-Covid-19, but the recovery is significant, and Workforce expects that the remaining six months will return a promising result.

A strategic focus in leadership and organisational development continues to take place through the training and development of executive committee members and the investment in our people is significant. This investment is supported by an investment into leadership as well as a drive for deeper diversification in our investments, all aimed to drive profitability and shareholder returns.

INVESTMENT PERFORMANCE

Training

The Training cluster experienced a much-improved performance compared to the same period in 2020, primarily due to the opening of the economy. Great strides were made in terms of implementing cost cutting initiatives, improving its offering of blended service solutions, and getting to grips with operating under pandemic and lockdown conditions, especially having to deal with smaller classrooms and the need to move into online training and to blend this with the live experience of training.

This resulted in an overall improvement in revenue of 46%, with a substantial increase in EBITDA of 101%. The cluster contributed 22% to EBITDA of the group.

Training Force, one of the larger businesses in the cluster, underwent operational repositioning, with several corrective actions taken to improve performance. The first two months of this interim period were slow, but the business finished the period strongly.

Chartall Business College ("Chartall") continues to perform well and remains a consistent performer. As a fully online business, it was perfectly positioned to deal with pandemic conditions. With the support of long-term banking contracts, Chartall managed to meet and exceed targets.

The remaining businesses in the cluster focus training primarily in the mining sector which has begun to reopen, albeit at a lower base. The Training cluster remains very well positioned to take advantage of this. Technologies and courses on offer and being developed remain relevant to the South African market and demand is not only in Africa, but other countries where mining takes place, offering greater scope for this cluster.

The outlook for the remaining six months is positive, particularly as many of the businesses in the cluster are close to returning to profitability or have already achieved this. A continued focus on securing additional contracts remains in place, as does the continued evaluation of potential acquisition opportunities.

Recruitment*

The Recruitment cluster was negatively impacted by companies reducing staff and not re-employing when lockdown levels eased, on the back of companies not implementing policies for future growth and retaining a conservative approach to new recruits. In overseas markets a reversal of this is at play, in that there is suddenly a shortage of skilled staff because companies are gearing up and it is hoped that South Africa will start to mimic this trend.

During the six months under review opex was significantly reduced to ensure business sustainability. Anchor industry clients such as those in the mining, logistics and petrochemicals industries have strongly supported the cluster's service offering. A visible and increased interest in its ability to land scarce skills across these industries supports the cluster's market position.

Healthcare

Revenue grew by 14% to R157,0 million (2020: R138,1 million) and the cluster contributed 10% of revenue to the group. EBITDA was flat at R21,1 million (2020: R20,9 million) and the cluster contributed 22% to group EBITDA.

The Healthcare cluster experienced a few dynamics during the period. Firstly, given the continued lockdown, hospital demand for elective procedures was reduced, secondly, as the Covid-19 waves eased, the demand for additional nursing staff also reduced and thirdly, as staff were required to work from home, so companies' health monitoring and wellness programmes also reduced.

* *Financial results for this investment cluster are included in the Staffing and Outsourcing investment cluster.*

The businesses in the cluster that provide healthcare personnel solutions (Allmed Healthcare Professionals and Nursing Emergencies) were able to secure additional contracts including a private sector healthcare insurer. No existing business was lost and compared to the previous interim period, the businesses are on a much better footing. This is due to maximising opportunities for new contracts and adding value to the healthcare systems by providing staff to the vaccination programme. Healthcare support staff are in demand now and the market is currently under-supplied. As a result, this part of the cluster is staffing up to ensure contract obligations are met. Given the increased demand, the outlook is optimistic for the remainder of the financial year.

The rest of the cluster, which provides occupational healthcare services through DNA Wellness and Workforce Healthcare, experienced a satisfactory and slightly improved performance for the first six months of 2021, despite the Covid-19 pandemic. Cash preservation measures remain in place, which resulted in positive cash flow supported by good debtors' days. Overall, activities are broadly returning to pre-Covid-19 levels despite the second wave at the start of the year and the third wave experienced in June and July 2021.

Pleasingly, a new clinic in Rustenburg was acquired to service the surrounding area. In addition, certain new Employee Assistance Program ("EAP") contracts were signed and clients are further supported through a Healthcare EAP App which has been developed and released into the market. Looking ahead Covid-19 will likely still result in significant uncertainty, particularly as clients experience budget constraints. To counteract this effect, this part of the cluster will continue to grow the new clinic network.

Financial Services

The Financial Services cluster adopted a conservative approach by reducing the amount of lending, due to instability in the work environment, and this impacted profitability. Given this, difficulty in ensuring debt collections resulted. However, during the last three months of the interim period, collections improved, allowing lending to resume. Overall collections were slightly lower, but in line with the economic reality of the country, given increased unemployment.

Babereki went through a consolidation period post-lockdown as part of the overall preparation for the new environment which ensured a return to normal trading levels. The Debtworx brand initially experienced a decline in collections but has since returned to optimal levels and has successfully navigated the switch from traditional debit orders to Debicheck debit orders (a type of debit order that is a new industry standard).

Essential Employee Benefits ("EEB") progressed as an essential service company, but with limited sales opportunities, due to limited face-to-face contact with clients. During the period, the cluster acquired GetSavvi, a health insurance company, which offers similar products to EEB.

These conditions resulted in a decrease in revenue for the Financial Services cluster of 13% to R41,8 million (2020: R48,0 million) and despite an EBITDA loss of R9,3 million, this loss is significantly reduced from the 2020 loss of R48,8 million. The measures put in place to bring the business back to profitability are working.

The cluster has geared itself towards lockdowns as the "new normal" and to ensure continuity of business, roughly 80% of its workforce, including call centre agents, are working from home. Effort has been extended to bolster activity in the medical and funeral insurance businesses of the cluster, coupled with a large investment into technology, through GetSavvi and this part of the business is expected to return a good result in the remainder of the year.

Staffing and Outsourcing

This investment cluster, which is the main contributing investment cluster of the group, experienced an extremely positive start to the new financial year, with revenue increasing by 32% to R1,3 billion (2020: R978 million). EBITDA improved by 41% to R64,7 million (2020: R45,8 million). The cluster contributed 66% to EBITDA of the group. The results must be viewed in light of reduced income from the Employee Tax Incentive ("ETI"), which was anticipated, and an increase in the operating activities of the cluster. All the businesses in the cluster showed resilience, returned to profitability, contributed to organic growth and provided positive cash flows.

Operating expenses continue to be well managed and so too the debtor's book, with reduced debtors' days and a positive, proactive collection process in place.

The overall headcount in the cluster has returned to, if not slightly exceeded, pre-Covid-19 levels. This, combined with increased brand visibility and marketing efforts has enabled the cluster to land new clients successfully. The focus on more efficient management of expenses has resulted in costs continuing to be assessed and contracts successfully renegotiated to ensure there is no margin erosion. The service offering and value proposition has been meticulously conveyed to the cluster's current and potential new clients, resulting in a true partnership developing to the advantage of both the cluster and its clients.

The Covid-19 pandemic resulted in a slew of industries rising to the fore, including logistics, e-commerce, warehousing, food manufacturing and transportation. The cluster successfully embarked on offering staffing and outsourcing solutions to these industries and, coupled with strong relationships in the traditional mining, and oil and gas sectors, this has ensured a strong result.

The Workforce group secured a Level 2 BEE rating, which has certainly contributed towards the cluster's success in gaining additional contracts. This bodes well for skills development and skills transfer and the general ability of staff to earn improved salaries and so contribute to the growth rate of South Africa.

The outlook for the remaining six months of the financial year is positive. The functional outsourcing space is also gaining traction as a result of the investment into strong human resources, who are now available due to natural industry attrition, and strong technology. This trend is set to develop further over the coming six months. As the country embarks on infrastructure development, primarily in the renewable energy sector, the Staffing and Outsourcing cluster has signed contractors, who will come online during the second half of the year. Furthermore, the retention of clients, brand marketing initiatives, as well as the new industries are expected to keep the brands within this cluster front of mind in terms of ability, delivery and the quality of staffing and outsourcing services it provides. Lastly, there are three months in the latter part of the financial year containing five weeks, and these additional weeks are advantageous to the profitability of the cluster.

Africa*

Initiatives in Africa were impacted by Covid-19 as travel restrictions impeded the opening of new markets. Overall, the results achieved in the Africa cluster were in line with expectations and slightly above the previous period.

Botswana, which remains the country in which the most well-rounded service offering is in place, has seen the development of new potential clients for insurance products. Our presence in the country continues to expand with the accompanying growth in revenue.

In Mauritius the results of restructuring and cost cutting, combined with the reopening of the Mauritian economy, are bearing fruit. Aside from diversification of training support offered into the agricultural and textile industries, the hospitality sector, in which Workforce is dominant, is beginning to reopen.

The greatest impact in Mozambique was felt in the north of the country where work on the Liquid Natural Gas ("LNG") project has halted due to the violent environment that exists. Workforce remains extremely well positioned should activity on the LNG project resume. Due to a strong presence in the country, Workforce is evaluating new opportunities and is well positioned to act on these.

Business in Namibia continues to do well and has not been dramatically impacted by Covid-19.

The outlook for the remaining six months is positive, given that a strong, lean base is now in place from which to take on opportunities. The cluster also continues to strategically assess new countries and territories in Africa into which the suite of Workforce services and products can be offered.

* *Financial results for this investment cluster are included in the Staffing and Outsourcing investment cluster.*

FINANCIAL AND OTHER COMMENTARY

Taxation

The group's positive tax charge arises primarily from the income derived from the Employment Tax Incentive ("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 R5,5 million (2020: R35,5 million). The gross ETI for the six months amounted to R21,7 million (2020: R43,3 million), which included an extended ETI amount in the 2020 year.

Cash generation and liquidity

The group cash flow from operations for the year dropped to R19,8 million from R307,5 million in the prior period. The Value Added Tax ("VAT") deferral payments made in 2021 decreased the operating activity.

Throughout the period, liquidity and the management of debtors was positive. Despite the expectation that it would be difficult to collect debtors that were badly impacted by the pandemic, Workforce has been able to manage collections in a positive manner and these collections are at pre-pandemic ratios.

Days sales outstanding improved to 45 days (2020: 52 days) and overdue debtors are at 14% of total book (2020: 16%).

Gearing

Workforce's debt-to-equity ratio improved to 0,40 compared to the previous comparable period of 0,45.

Technology

In the shared services division of Workforce, the continued investment in technology for all investment clusters remains paramount, based on the belief that this will be a strong differentiator in services offered going forward. The Workforce IT team is commended for the forward-thinking technology brought into the group.

The future

The level 4 lockdown and the current level 3 have affected the economy and the business and created a stop-start situation, which inevitably will affect the results of the investments. Workforce believes that the third wave is being contained and as a result business activity will reach levels higher than the 2020 financial year. We foresee a reinvigoration of the permanent placement industry, coupled with a change in emphasis in the areas in which staffing will be required. This demand should be further supported by the necessary infrastructure rollout and policies which government must follow.

The week of looting and rioting that took place in the provinces of KwaZulu-Natal and Gauteng had an impact on some of our staff, which prompted Workforce to issue food vouchers to several thousand staff members. At this stage it is hard to tell what direction government is going to take to ensure that political stability will be maintained, and this makes it difficult to predict what the impact of political instability will be. We are hopeful that the stability in place will be maintained. Subject to this, we anticipate a far stronger economic environment for our diversified investments for the second six months of the year.

The acquisition policy will continue with a view of strengthening all investments, without putting significant strain on the balance sheet.

The share price continues to be impacted by the insignificant appetite for small cap shares as well as by the perceived risks for the economy.

John Macey
Independent chairman

Ronny Katz
Chief executive officer

Willie van Wyk
Financial director

19 August 2021

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2021

	Notes	As at 30 June 2021 R'000	As at 30 June 2020 R'000	As at 31 December 2020 R'000
Assets				
Non-current assets		**510 264**	450 211	448 525
Right-of-use asset	5	**48 145**	20 881	57 126
Property, plant and equipment		**20 796**	19 116	20 651
Goodwill	6	**257 654**	215 780	215 780
Intangible assets	7	**79 044**	84 863	77 325
Deferred tax assets		**97 844**	103 822	71 012
Other financial assets		**6 781**	5 749	6 631
Current assets		**880 889**	782 350	851 308
Trade and other receivables	8	**810 966**	618 153	765 459
Inventories		**4 262**	3 849	3 907
Taxation		**4 609**	3 442	2 675
Cash and cash equivalents		**61 052**	156 906	79 267
Total assets		**1 391 153**	1 232 561	1 299 833
Equity and liabilities				
Equity		**763 757**	683 654	734 242
Equity attributable to owners of the parent		**757 619**	679 065	730 564
Stated capital		**234 051**	234 051	234 051
Treasury shares		**(13 075)**	(13 075)	(13 075)
Fair value adjustment through other comprehensive income		**–**	1 338	–
Foreign exchange differences on translation of foreign operations		**(1 796)**	(609)	(2 444)
Equity-settled employee benefits reserve		**6 784**	9 076	5 555
Retained earnings		**531 655**	448 284	506 477
Non-controlling interests		**6 138**	4 589	3 678
Non-current liabilities		**110 479**	67 394	70 730
Financial liabilities		**38 287**	30 131	21 026
Lease liabilities	5	**45 923**	5 483	47 313
Deferred tax liabilities		**26 269**	31 780	2 391
Current liabilities		**516 917**	481 513	494 861
Trade and other payables		**249 757**	283 545	226 616
Financial liabilities	5	**259 046**	178 841	253 807
Lease liabilities		**8 114**	19 127	14 438
Total equity and liabilities		**1 391 153**	1 232 561	1 299 833

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2021

	Notes	Six months to 30 June 2021 R'000	Six months to 30 June 2020 R'000	Year to 31 December 2020 R'000
Revenue	10	1 645 032	1 273 101	2 778 034
Cost of sales		(1 293 593)	(981 443)	(2 132 608)
Gross profit		351 439	291 658	645 426
Other income		928	7 829	7 340
Operating costs		(294 452)	(309 013)	(575 887)
Earnings before interest, taxation, depreciation and amortisation		57 915	(9 526)	76 878
Fair value adjustments		2 285	(3 573)	(3 883)
Depreciation and amortisation		(28 107)	(25 132)	(47 598)
Finance income		972	461	745
Finance costs		(11 002)	(11 856)	(18 503)
Profit/(loss) before taxation		22 063	(49 626)	7 640
Taxation credit/(expense)	11	5 575	35 591	27 731
Profit/(loss) after tax		27 638	(14 035)	35 370
Other comprehensive income/(loss) after tax				
Items that are reclassified to profit or loss:		648	(305)	(2 140)
Exchange difference on translating foreign operations		648	(305)	(2 140)
Total comprehensive income/(loss) for the period		28 286	(14 770)	33 230
Profit/(loss) for the period attributable to:				
Owners of the parent		25 178	(19 072)	31 244
Non-controlling interests		2 460	5 037	4 126
		27 638	(14 035)	35 370
Total comprehensive income/(loss) attributable to:				
Owners of the parent		25 826	(19 807)	29 104
Non-controlling interests		2 460	5 037	4 126
		28 286	(14 770)	33 230
Earnings/(loss) per share (cents)				
Basic	12	11,2	(8,5)	13,9
Diluted	12	11,2	(8,3)	13,9

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2021

	Attributable to owners of the parent								
	Share capital and premium R'000	Treasury shares R'000	Fair value reserve R'000	Foreign currency translation reserve R'000	Equity-settled employee benefits reserve R'000	Retained earnings R'000	Total R'000	Non-controlling interest R'000	Total R'000
Balance at 1 January 2021	**234 051**	**(13 075)**	**–**	**(2 444)**	**5 555**	**506 477**	**730 564**	**3 678**	**734 242**
Recognition of share-based payments	**–**	**–**	**–**	**–**	**1 229**	**–**	**1 229**	**–**	**1 229**
Other comprehensive income	**–**	**–**	**–**	**648**	**–**	**–**	**648**	**–**	**648**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**25 178**	**25 178**	**2 460**	**27 638**
Balance at 30 June 2021	**234 051**	**(13 075)**	**–**	**(1 796)**	**6 784**	**531 655**	**757 619**	**6 138**	**763 757**
For the six months ended 30 June 2020									
Balance at 1 January 2020	234 051	(13 075)	–	(304)	5 529	469 124	695 325	(448)	694 877
Recognition of share-based payments	–	–	–	–	3 547	–	3 547	–	3 547
Other comprehensive income	–	–	–	(305)	–	–	(305)	–	(305)
Instruments designated at FVOCI	–	–	(430)	–	–	–	(430)	–	(430)
Loss for the period	–	–	–	–	–	(19 072)	(19 072)	5 037	(14 035)
Balance at 30 June 2020	234 051	(13 075)	(430)	(609)	9 076	450 052	679 065	4 589	683 654
For the year ended 31 December 2020									
Balance at 1 January 2020	234 051	(13 075)	–	(304)	5 529	469 124	695 325	(448)	694 877
Recognition of share-based payments	–	–	–		6 802	–	6 802	–	6 802
Shares vested under share options	–	–	–	–	(6 776)	6 776	–	–	–
Payment of dividends	–	–	–	–	–	(667)	(667)	–	(667)
Other comprehensive income	–	–	–	(2 140)	–	–	(2140)	–	(2140)
Profit for the period	–	–	–	–	–	31 244	31 244	4 126	35 370
Balance at 31 December 2020	234 051	(13 075)	–	(2 444)	5 555	506 477	730 564	3 678	734 242

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2021

	Notes	**Six months to 30 June 2021 R'000**	Six months to 30 June 2020 R'000	Year to 31 December 2020 R'000
Cash generated from operations before net working capital changes		**49 636**	(27 583)	43 696
Cash generated from operations	14.1	**61 055**	(15 915)	61 346
Finance income		**972**	461	745
Finance costs		**(11 002)**	(10 227)	(14 602)
Taxation paid		**(1 389)**	(1 902)	(3 793)
(Decrease)/increase in net working capital	14.2	**(29 893)**	335 162	129 087
Cash flows from operating activities		**19 743**	307 579	172 783
Cash flows from investing activities		**(32 108)**	(22 285)	(27 924)
Property, plant and equipment acquired – maintaining operations		**(3 335)**	(3 135)	(8 830)
Profit on disposal of property, plant and equipment		**–**	–	293
Dividends income		**–**	–	644
Intangible assets acquired	7	**(7 751)**	(5 197)	(6 196)
Payment of contingent consideration for business		**(24 128)**	(13 953)	(13 953)
Acquisition of business		**3 106**	–	118
Cash flows from financing activities		**(5 850)**	(177 396)	(114 600)
Repayment of borrowings		**(6 736)**	(177 370)	(90 778)
Proceeds from borrowings		**17 261**	10 471	10 000
Payment of lease liabilities		**(9 399)**	(10 497)	(25 741)
Dividends paid		**–**	–	(666)
Payment of contingent consideration for business	14.3	**(6 976)**	–	(7 415)
Net change in cash and cash equivalents		**(18 215)**	107 898	30 259
Cash and cash equivalents at the beginning of the period		**79 267**	49 008	49 008
Cash and cash equivalents at the end of the period		**61 052**	156 906	79 267

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2021

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 19 August 2021.

2. EVENTS AFTER REPORTING DATE

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

3. AUDITOR'S RESPONSIBILITY

These unaudited condensed consolidated interim financial results have not been audited or 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, (Act 71 of 2008), as amended, the SAICA Financial Reporting Guides, as issued by the Accounting Practice Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.

The unaudited condensed interim financial statements for the six months ended 30 June 2021 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.

5. RIGHT-OF-USE ASSETS

	Property R'000	Motor vehicles R'000	Total R'000
Six months to 30 June 2021			
Carrying amount at 1 January 2020	**51 743**	**5 383**	**57 126**
Additions	**854**	**831**	**1 685**
Depreciation	**(8 617)**	**(2 049)**	**(10 666)**
Carrying amount at 30 June 2021	**43 980**	**4 165**	**48 145**
Six months to 30 June 2020			
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)
Carrying amount at 30 June 2020	15 711	5 170	20 881
Year to 31 December 2020			
Carrying amount at 1 January 2020	22 576	5 607	28 183
Additions	45 203	3 607	48 810
Depreciation	(16 036)	(3 831)	(19 867)
Carrying amount at 31 December 2020	51 743	5 383	57 126

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:

Right-of-use-assets	Number of right-of-use assets leased	Range of remaining term	Average remaining term	Number of leases with extension options	Number of leases with options to purchase	Number of leases with variable payments linked to an index	Number of leases with termination options
Property	64	12 to 48 months	60 months	64	–	–	64
Motor vehicles	63	12 to 58 months	36 months	63	–	–	63

The lease liabilities are secured by the related underlying assets. The discounted maturity analysis of lease liabilities at 30 June 2021 is as follows:

Interest-bearing borrowings

	Within a year	**1 to 2 years**	**2 to 5 years**	**Total**
Minimum lease payments due				
30 June 2021				
Lease payments	**10 903**	**31 646**	**23 430**	**65 979**
Finance charges	**(2 789)**	**(7 146)**	**(2 007)**	**(11 942)**
Net present values	**8 114**	**24 500**	**21 423**	**54 037**
30 June 2020				
Lease payments	20 349	5 789	605	26 743
Finance charges	(1 222)	(714)	(197)	(2 133)
Net present values	19 127	5 075	408	24 610
31 December 2020				
Lease payments	19 363	31 801	25 489	76 653
Finance charges	(4 925)	(7 490)	(2 487)	(14 902)
Net present values	14 438	24 311	23 002	61 751

6. GOODWILL

	Total R'000
Six months to 30 June 2021	
Carrying amount at 1 January 2020	**215 780**
Acquired through business combination	**41 874**
Carrying amount at 30 June 2021	**257 654**

6. GOODWILL (CONTINUED)

		Six months to 30 June 2021 R'000	Six months to 30 June 2020 R'000	Year to 31 December 2020 R'000
Staff outsourcing	– Workforce Staffing	4 275	4 275	4 275
	– Telebest Holdings	31 190	31 190	31 190
	– Allmed Healthcare Professionals	5 815	5 815	5 815
	– Quyn Group	39 134	39 134	39 134
	– Gcubed	652	652	652
	– Day-Click	885	885	885
	– Oxyon Human Capital Solutions	8 977	8 977	8 977
	– OpenSource	17 067	–	–
Training and consulting	– Prisma Training Solutions	21 221	21 221	21 221
	– KBC Holdings	22 331	22 331	22 331
	– Talent Factor	1 763	1 763	1 763
	– Dyna Group	56 750	56 750	56 750
	– Uni Education Group	22 787	22 787	22 787
Financial services	– Get Savvi Health	24 807	–	–
		257 654	215 780	215 780

7. INTANGIBLE ASSETS

	Brands R'000	Client relationships R'000	Computer software R'000	Training course accreditation R'000	Development costs R'000	Total R'000
Six months to 30 June 2021						
Carrying amount at 1 January 2020	53	13 249	53 924	9 966	133	77 325
Additions	135	–	7 616	–	–	7 751
Acquired through business combination	–	7 399	–	–	–	7 399
Amortisation	(114)	(4 996)	(6 259)	(2 062)	–	(13 431)
Carrying amount at 30 June 2021	74	15 652	55 281	7 904	133	79 044
Six months to 30 June 2020						
Carrying amount at 1 January 2020	114	5 729	54 347	14 090	22	74 302
Additions	25	–	3 291	–	1 881	5 197
Acquired through business combination	–	15 847	–	–	–	15 847
Amortisation	(30)	(2 947)	(5 444)	(2 062)	–	(10 483)
Carrying amount at 30 June 2020	109	18 629	52 194	12 028	1 903	84 863
Year to 31 December 2020						
Carrying amount at 1 January 2020	114	5 729	54 347	14 090	22	74 302
Additions	–	–	6 085	–	111	6 196
Acquired through business combination	–	15 849	–	–	–	15 849
Amortisation	(61)	(8 329)	(6 508)	(4 124)	–	(19 022)
Carrying amount at 31 December 2020	53	13 249	53 924	9 966	133	77 325

8. TRADE AND OTHER RECEIVABLES

The increase in trade receivables compared to the 2020 year end is mainly due to an increase in revenue in the six months ended June 2021. The recovery of the Covid-19 pandemic has increased the group's collections and increased the debtors' book. In addition, the trade debtors of R8 million from the group's acquisitions has further contributed to the increase in trade receivables.

9. 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 hospitals and frail-care homes, primary 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.

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

	Staffing and outsourcing R'000	Training R'000	Financial services R'000	Healthcare R'000	Shared services and central costs R'000	Eliminations R'000	Total R'000
Six months to June 2021							
Segment revenues	1 287 956	158 359	41 817	156 900	–	–	1 645 032
Inter-segment revenues	(13 353)	(7 324)	–	(1 908)		22 585	–
Cost of sales	(1 079 303)	(74 789)	(23 768)	(115 101)	(632)	–	(1 293 593)
Inter-segment cost of sales	13 353	–	–	–	–	(13 353)	–
Operating costs	(143 937)	(62 250)	(27 323)	(20 669)	(40 273)	–	(294 452)
Inter-segment operating costs	–	7 324	–	1 908	–	(9 232)	–
Other income	–	147	–	4	–	777	928
EBITDA	64 716	21 467	(9 274)	21 134	(40 905)	777	57 915
Fair value adjustments	(982)	(1 033)	54	–	4 246	–	2 285
Depreciation and amortisation	(4 738)	(3 791)	(991)	(929)	(12 134)	(5 524)	(28 107)
Net finance costs	(47)	(150)	(293)	(45)	(9 495)	–	(10 030)
Segment profit/(loss) before tax	58 949	16 493	(10 504)	20 160	(58 288)	(4 747)	22 063
Capital expenditure	1 241	1 956	2 015	723	5 151	7 399	18 485
Segment total assets	444 853	157 444	277 212	79 714	696 711	(264 781)	1 391 153
Segment total liabilities	(140 394)	(105 635)	(380 194)	(23 699)	(27 650)	50 176	(627 396)
Net segment assets/ (liabilities)	304 459	215 611	47 074	9 626	705 786	(210 412)	683 654

9. SEGMENT ANALYSIS (CONTINUED)

	Staffing and outsourcing R'000	Training R'000	Financial services R'000	Healthcare R'000	Shared services and central costs R'000	Eliminations R'000	Total R'000
Six months to June 2020							
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 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)
Segment profit/(loss) before tax	39 028	5 439	(51 126)	19 761	(57 909)	(4 819)	(49 626)
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)
Net segment assets/ (liabilities)	215 612	47 074	(84 033)	9 626	705 787	(210 412)	683 654
Year to December 2020							
Segment revenues	2 164 843	247 017	54 633	311 002	540	–	2 778 034
Inter-segment revenues	21 008	6 076	–	2 951	–	(30 035)	–
Cost of sales	(1 808 255)	(99 380)	(18 782)	(225 830)	19 639	–	(2 132 608)
Inter-segment cost of sales	(21 008)	–	–	–	–	21 008	–
Gross margin	356 588	153 713	35 851	88 123	20 179	(9 027)	645 427
Operating costs	(235 956)	(119 555)	(91 938)	(36 140)	(92 297)	–	(575 887)
Inter-segment operating costs	–	(6 602)	–	(2 425)	–	9 027	–
Other income	6 727	8	1 060	11	(465)	–	7 340
EBITDA	127 359	27 563	(55 028)	49 568	(72 583)	–	76 879
Fair value adjustments	–	(3 321)	(629)	–	66	–	(3 883)
Depreciation and amortisation	(12 561)	(6 283)	(1 926)	(2 001)	(13 766)	(11 060)	(47 598)
Finance income	260	333	59	8	84	–	745
Finance costs	(3 412)	(1 034)	(1 085)	(1 278)	(11 695)	–	(18 503)
Segment profit/(loss) before tax	111 646	17 258	(58 609)	46 297	(97 894)	(11 060)	7 640
Capital expenditure	9 393	8 999	179	448	11 856	–	30 875
Segment total assets	441 070	158 923	255 635	66 101	629 940	(251 836)	1 299 833
Segment total liabilities	(59 944)	(111 371)	(376 205)	(36 006)	2 678	15 257	(565 591)
Net segment assets/ (liabilities)	381 126	47 552	(120 570)	30 095	632 618	(236 579)	734 242

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 customer contributed 10% or more to the group's revenue in either 2021 or 2020.

10. REVENUE

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

Type of goods or services	Staffing outsourcing R'000	Training R'000	Financial services R'000	Healthcare R'000	Total R'000
Six months to June 2021					
Staffing solutions	**1 268 437**	**–**	**–**	**–**	**1 268 437**
Placement fees	**18 291**	**–**	**–**	**–**	**18 291**
Payroll management	**1 228**	**–**	**–**	**–**	**1 228**
Accredited courses, education and training	**–**	**158 359**	**–**	**–**	**158 359**
Funeral cover and lending services	**–**	**–**	**41 817**	**–**	**41 817**
Medical cover, healthcare, wellness programmes and health risk assessments	**–**	**–**	**–**	**156 900**	**156 900**
	1 287 956	**158 359**	**41 817**	**156 900**	**1 645 032**
Six months to June 2020					
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
	978 227	108 751	47 968	138 155	1 273 101
Year to December 2020					
Staffing solutions	2 140 019	–	–	–	2 140 019
Placement fees	22 648	–	–	–	22 648
Payroll management	2 715	–	–	–	2 715
Accredited courses, education and training	–	247 017	–	–	247 017
Funeral cover and lending services	–	–	54 633	–	54 633
Medical cover, healthcare, wellness programmes and health risk assessments	–	–	–	311 002	311 002
	2 165 382	247 017	54 633	311 002	2 778 034

11. 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 section 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.

12. EARNINGS PER SHARE

	Six months to 30 June 2021	Six months to 30 June 2020	Year to 31 December 2020
Basic earnings/(loss) per share			
Profit attributable to equity shareholders of the parent company (R'000)	**25 178**	(19 072)	31 244
Weighted average number of shares in issue ('000)	**225 416**	225 492	225 492
Diluted weighted average number of shares in issue ('000)	**225 416**	231 013	225 492
Basic earnings/(loss) per share (cents)	**11,2**	(8,5)	13,9
Diluted earnings/(loss) per share (cents)	**11,2**	(8,3)	13,9
The weighted average number of ordinary shares for the purpose of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:	**225 416**	225 492	225 492
Shares deemed to be issued for no consideration in respect of:			
Employee options	**–**	5 521	–
Weighted average number of ordinary shares in the calculation of diluted earnings per share	**225 416**	231 013	225 492

Headline earnings per share

	Gross Six months to 30 June 2021	**Tax Six months to 30 June 2021**	Gross Six months to 30 June 2020	Tax Six months to 30 June 2020	Gross Year to 31 December 2020	Tax Six months to 30 June 2020
The earnings/(loss) used in the calculation of headline earnings per share are as follows:						
(Loss)/profit attributable to equity shareholders of parent company (R'000)	**–**	**25 178**	–	(19 072)	–	31 244
Adjusted for:						
– Gain/(loss) on disposal of property, plant and equipment (R'000)	**–**	**–**	–	–	1 058	762
– Impairments of intangibles (R'000)	**–**	**–**	–	–	1 217	1 217
– Gain on bargain purchase (R'000)	**–**	**–**	–	–	(6 226)	(6 226)
– Tax effect of adjustments (R'000)	**–**	**–**	–	–	–	–

	Gross Six months to 30 June 2021	Tax Six months to 30 June 2021	Gross Six months to 30 June 2020	Tax Six months to 30 June 2020	Gross Year to 31 December 2020	Tax Six months to 30 June 2020
Total headline (loss)/earnings (R'000)	–	25 178	–	(19 072)	–	26 997
Weighted average number of shares in issue ('000)	–	225 416	–	225 492	–	225 492
Headline (loss)/earnings per share (cents)	–	11,2	–	(8,5)	–	12,0
Diluted headline earnings per share (cents)	–	11,2	–	(8,3)	–	12,0

13. DIVIDENDS

No dividend was declared relating to the period under review.

14. NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		Six months to 30 June 2021 R'000	Six months to 30 June 2020 R'000	Year to 31 December 2020 R'000
14.1	**Cash generated from operations**			
	Profit/(loss) before taxation	22 063	(49 626)	7 640
	Finance income	(972)	(461)	(745)
	Other income	(777)	–	(628)
	Finance costs	11 002	11 856	14 602
	Adjustment for non-cash items:			
	Gain on disposal of property, plant and equipment	(97)	–	120
	Depreciation and amortisation of non-financial assets	28 107	25 131	47 598
	Gain on bargain purchase in respect of acquisition	–	(6 226)	(6 226)
	(Loss)/gain arising on financial liability at fair value through profit or loss	(150)	1 814	–
	Impairment in intangible assets	–	–	1 217
	Foreign exchange differences on translation of foreign operations	650	(321)	(2 140)
	Expense recognised in respect of equity-settled share-based payment	1 229	3 547	(6 802)
	Other non-cash items	–	–	6 711
		61 055	(14 286)	61 346
14.2	**Working capital changes**			
	Change in trade and other receivables	(38 024)	219 920	72 536
	Change in inventories	(355)	380	322
	Change in trade payables	8 486	114 862	56 229
		(29 893)	335 162	129 087
14.3	**Net cash flow on acquisition of business**			
	Net cash outflow on the acquisition of subsidiaries – current year (refer to note 18.2)	(24 128)	(13 953)	–
	Net cash outflow on the acquisition of subsidiaries relating to contingent consideration – prior year's acquisition	(6 976)	–	–
		(31 104)	(13 953)	–

14. NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Changes in liabilities arising from financing activities

	1 January 2021	Cash flows	Additions	Non-cash flows	Six months to June 2021
Lease liabilities	61 751	(9 399)	1 685	–	54 037
Borrowings	246 778	10 525	–	1 277	258 580
Contingent consideration	28 055	(31 104)	49 859	(8 057)	38 753
	336 584	(29 978)	51 544	(6 780)	351 370

	1 January 2020	Cash flows	Additions	Cash flows not included in financing activities	Non-cash flows	Six months to June 2020
Lease liabilities	32 568	(10 497)	2 539	–	–	24 610
Borrowings	344 568	(166 899)	–	–	31 303	208 972
Contingent consideration	15 007	–	34 416	–	(2 413)	47 010
	392 143	(177 396)	36 955	–	28 890	280 592

	1 January 2020	Cash flows	Additions	Cash flows not included in financing activities	Non-cash flows	31 December 2020
Lease liabilities	32 568	(25 741)	54 924	–	–	61 751
Borrowings	344 568	(80 778)	–	–	(17 012)	246 778
Contingent consideration	15 007	(7 415)	34 416	(13 953)	–	28 055
	392 143	(113 934)	89 340	(13 953)	(17 012)	336 584

15. BUSINESS COMBINATIONS

	Principal activity	Date of acquisition	Portion of business acquired %	Consideration transferred R'000
15.1.1 Business acquired				
OpenSource Intelligent Solutions Proprietary Limited ("OIS") and OpenSource International Limited ("OpenSource International") (collectively "the OpenSource Group")	The OpenSource Group is a provider of contract and permanent recruitment services to the users of SAP Resource Planning software system	1 January 2021	100	24 209
				24 209

Workforce has obtained control of the above mentioned entities by acquiring 100% of the equity and voting rights in OIS and OpenSource International with effect from 1 January 2021. OIS and OpenSource International were acquired in order to grow and diversify Workforce's staffing and recruitment segment by providing highly skilled staff into a niche and specialised market segment.

	Total R'000
15.1.2 Consideration at fair value	
Cash	10 325
Contingent consideration arrangement	13 884
Total	24 209
15.1.3 Contingent consideration	
Second payment	2 912
Third payment	2 522
First top-up payment	3 663
Second top-up payment	1 269
Total additional amount	10 366
Interest raised on future payments	3 518
	13 884

Under the contingent consideration arrangement for the OpenSource Group, Workforce is obliged to pay an amount of up to R3 441 775 (inclusive of future interest) subject to the OpenSource Group achieving an agreed upon after tax profit for the 12 months ending 31 December 2021 and an amount of up to R3 441 775 (inclusive of future interest) subject to the OpenSource Group achieving an agreed upon after tax profit for the 12 months ending 31 December 2022. Should the after tax profit for the 24-month period ending 31 December 2022 exceed R8 227 993, a first additional payment of up to R5 000 000 (inclusive of future interest) may also be payable. In the event that after tax profit for the 12 months ending 31 December 2023 exceeds R4 900 496, a second additional payment of up to R2 000 000 (inclusive of future interest) will also become payable. All these payments are calculated using agreed upon formulae. The directors believe that these payments are probable.

	Total R'000
15.1.4 Assets acquired and liabilities recognised at the date of acquisition	
Non-current assets	5 252
Property, plant and equipment	572
Intangible assets	4 680
Current assets	7 743
Trade and other receivables	5 354
Cash and cash equivalents	2 389
Current liabilities	(9 604)
Trade and other payables	(8 294)
Borrowings	(1 310)
Total	3 391

Property, plant and equipment has been valued according to the replacement cost method. Intangibles assets comprise client relationships and restraint agreements, these have been valued using a cost approach method. The value captures the cost to the group of ensuring the employees stay loyal and do not compete with the group. The receivables acquired (principally trade receivables) in this transaction with a fair value of R5 354 375 for OIS is equivalent to the gross contractual amount. All contractual cash flows are expected to be collected.

Cash and cash equivalents are deemed to be at fair value. Current liabilities are short-term in nature and represent the amount expected to be paid out to settle the liabilities.

15. BUSINESS COMBINATIONS (CONTINUED)

15.1.4 Assets acquired and liabilities recognised at the date of acquisition (CONTINUED)

	Total R'000
Net cash outflow on acquisition of subsidiaries	
Consideration paid in cash	24 209
Less: Cash and cash equivalent balance acquired	(2 389)
Total	21 820
Goodwill arising on acquisition	
Consideration transferred	24 209
Less: Fair value of identifiable net assets acquired	(3 391)
Less: Interest raised on future payments	(3 751)
Goodwill arising on acquisition	17 067

Goodwill arises on the acquisition of the OpenSource Group 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 OpenSource Group acquisition is expected to be deductible for tax purposes.

15.2.1 Business acquired

	Principal activity	Date of acquisition	Portion of business acquired %	Consideration transferred R'000
The GetSavvi Group	The provision of short term healthcare insurance and related product offerings.	1 June 2021	100	25 650
				25 650

Workforce has obtained control of GetSavvi Health Proprietary Limited, GetSavvi Consult Proprietary Limited and Arnocure Proprietary Limited by acquiring 100% of the equity and voting rights in these entities and it has aquired 50% of the equity and voting rights in FeelBetterFast Proprietary Limited (collectively "the GetSavvi Group"). The GetSavvi Group was acquired with effect from 1 June 2021 in order to broaden Workforce's short-term health insurance offering as well as to bring specialised skills and intellectual property into the company.

	Total R'000
15.2.2 Consideration at fair value	
Cash	13 705
Contingent consideration arrangement	11 945
Total	25 650
15.2.3 Contingent consideration	
Second payment	2 564
Third payment	2 292
First top-up payment	4 738
Total additional amount	9 594
Interest raised on future payments	2 351
	11 945

Under the contingent consideration arrangement for the GetSavvi Group, Workforce is obliged to pay an amount of up to R2 936 679 (inclusive of future interest) subject to the GetSavvi Group achieving an agreed upon profit before tax for the 12 months ending 31 May 2022 and an amount of up to R2 936 679 (inclusive of future interest) subject to the GetSavvi Group achieving an agreed upon profit before tax for the 12 months ending 31 May 2023. Should the profit before tax for the 24-month period ending 31 May 2023 exceed R15 481 525, an additional payment of up to R6 071 811 (inclusive of future interest) may also be payable. All these payments are calculated using agreed upon formulae. The directors believe that these payments are probable.

15.2.4 Assets acquired and liabilities recognised at the date of acquisition

	Total R'000
Non-current assets	2 873
Property, plant and equipment	154
Intangible assets	2 719
Current assets	2 845
Trade and other receivables	2 128
Cash and cash equivalents	717
Non-current liabilities	
Deferred tax liabilities	(764)
Current liabilities	
Trade and other payables	(6 461)
Total	(1 507)

Property, plant and equipment has been valued according to the replacement cost method. Intangibles assets comprise client relationships and restraint agreements, these have been valued using a cost approach method. The value captures the cost to the group of ensuring the employees stay loyal and do not compete with the group. The receivables acquired (principally trade receivables and loan receivables) in this transaction with a fair value of R2 128 813 for the GetSavvi Group is equivalent to the gross contractual amount. All contractual cash flows are expected to be collected.

Cash and cash equivalents are deemed to be at fair value. Current liabilities are short-term in nature and represent the amount expected to be paid out to settle the liabilities.

	Total R'000
Net cash outflow on acquisition of subsidiaries	
Consideration paid in cash	13 705
Less: Cash and cash equivalent balance acquired	(717)
Total	12 988
Goodwill arising on acquisition	
Consideration transferred	25 650
Less: Fair value of identifiable net assets acquired	1 507
Less: Interest raised on future payments	(2 351)
Goodwill arising on acquisition	24 806

Goodwill arises on the acquisition of the GetSavvi Group 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 GetSavvi Group acquisition is expected to be deductible for tax purposes.

Impact of acquisitions on the results of the group

As per IFRS 3 requirements, had the above acquisition occurred on 1 January 2021, the revenue and profit before tax would have been R2 675 366 and R587 756 respectively. The above figures have been extracted without amendment from the management accounts of the GetSavvi Group.

16. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

		Six months to 30 June 2021 R'000	Six months to 30 June 2020 R'000	Year to 31 December 2020 R'000
16.1	**Financial assets**			
	Financial assets at amortised cost			
	Trade and other receivables	796 848	609 592	769 600
	Cash and cash equivalents	61 052	156 906	79 267
	Financial assets at fair value through profit or loss			
	Quoted equity shares	4 155	3 402	4 155
	Investment in cell captive	2 626	2 347	2 476
	Total	864 681	772 246	855 498
	Total current	857 900	766 498	848 867
	Total non-current	6 781	5 748	6 631
	Financial liabilities			
	Financial liabilities at amortised cost			
	Trade and other payables	181 219	188 233	179 121
	Lease liabilities	8 114	19 127	28 876
	Loan on treasury shares	7 985	8 329	8 329
	Financial liabilities at fair value through profit and loss			
	Contingent consideration	38 753	33 057	28 055
	Current	9 710	12 418	16 474
	Non-current	29 043	20 639	11 581
	Total	236 071	248 746	411 854
	Total current	199 043	219 778	391 944
	Total non-current	37 028	28 968	19 910

16.2 The following table provides the fair value measurement hierarchy of the group's financial assets and financial liabilities as at June 2021, June 2020 and December 2020:

		Date of valuation	Total R'000	Quoted prices in active markets Level 1 R'000	Significant unobservable inputs Level 3 R'000
	As at 30 June 2021				
	Financial assets				
1	Quoted equity shares	30 June 2021	4 155	4 155	–
2	Cell captive	30 June 2021	2 626	–	2 626
	Financial liabilities				
3	Contingent consideration relating to business combination	30 June 2021	(38 753)	–	(38 753)

		Date of valuation	Total R'000	Quoted prices in active markets Level 1 R'000	Significant unobservable inputs Level 3 R'000
	As at 30 June 2020				
	Financial assets				
1	Quoted equity shares	30 June 2020	3 402	3 402	–
2	Cell captive	30 June 2020	2 347	–	2 347
	Financial liabilities				
3	Contingent consideration relating to business combination acquisition of Uni Education Group (Proprietary) Limited	30 June 2020	(33 144)	–	(33 144)
	As at 31 December 2020				
	Financial assets				
1	Quoted equity shares	31 December 2020	4 155	4 155	–
2	Cell captive	31 December 2020	2 476		2 476
	Financial liabilities				
3	Contingent consideration relating to business acquisition of Uni Education Group (Proprietary) Limited	31 December 2020	(18 557)	–	(18 557)
	Contingent consideration relating to business acquisition of the Dyna Group	31 December 2020	(9 488)	–	(9 498)

16.3 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 2021, December 2020 and June 2020 are shown below:

	Valuation technique	**Significant unobservable inputs**	Significant unobservable inputs
2	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.	The values of the cell captive's assets and liabilities extracted from the reports provided by the cell captive manager.	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.
3	Discounted cash flow method was used to capture the present value of the expected future economic benefits that will flow out of the group. Discount rate of 11,9% determined using the capital asset pricing model. Profitability adjusted profits with ranges of R3 million to R15 million.	Discount rate of 11,9% (2020: 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 increase/decrease the fair value of the loan by R775 000 (2020: R3 062 000) (June 2020: R77 800). A slight change in the probability adjusted profits in isolation would not result in a significant change in fair value.

16. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

16.3 Description of significant unobservable inputs to valuation (CONTINUED)

Valuation technique	**Significant unobservable inputs**	Significant unobservable inputs
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 11,9% determined using the capital asset pricing model. Profitability adjusted profits with ranges of R5 million to R17,6 million.	Discount rate of 11,9% (2020: 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 increase/decrease the fair value of the loan by R1 556 775 (2020: R2 742 810). A slight change in the probability adjusted profits in isolation would not result in a significant change in fair value.

16.4 Reconciliation of level 3 fair value measurements

	Investment in cell captive R'000	**Contingent consideration R'000**	**Total R'000**
As at 30 June 2021			
Opening balance	**2 476**	**28 055**	**30 531**
Gain/(loss) in profit or loss	**150**	**(2 986)**	**(2 836)**
Additions	**–**	**49 859**	**49 859**
Release on liability	**–**	**(36 175)**	**(36 175)**
Closing balance	2 626	38 753	41 379
Change in unrealised gains or losses included in profit or loss	150	(2 986)	(2 836)
As at 30 June 2020			
Opening balance	3 105	15 007	18 112
(Loss)/gain 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
As at 31 December 2020			
Opening balance	3 105	15 007	18 112
(Loss)/gain in profit or loss	(385)	5 345	4 960
Additions	–	29 189	29 189
Release on liability	–	(21 486)	(21 486)
Closing balance	2 476	28 055	1 586
Change in unrealised gains or losses included in profit or loss	(385)	5 345	4 960

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.

17. RELATED-PARTY TRANSACTIONS

17.1 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 2021 R'000	June 2020 R'000	December 2020 R'000
Wellington Investments Proprietary Limited				
Relationship:	Director has significant influence			
Type and term of transaction	The operating lease is extended with a five-year term beginning 1 September 2020 at an annual escalation of 8% and is paid monthly	**7 283**	7 194	10 470
Vunani Capital Proprietary Limited				
Relationship:	Shareholder			
Type and term of transaction	Designated advisor's fees paid in terms of service level agreement.	**328**	171	945
Hunts Attorneys				
Relationship:	Director with an interest in a legal practice – RS Katz			
Type and term of transaction	Disbursements for all costs related to litigation, commercial and labour work and advice on group's behalf.	**122**	612	1 079
Guardrisk Insurance Company Limited				
Relationship:	Cell captive arrangement			
Type and term of transaction	Insurance premium paid monthly to cell captive in line with policy.	**54**	247	389
Monte Legal Consultants Proprietary Limited				
Relationship:	Shareholder			
Type and term of transaction	Advisor's fees in terms of business acquisitions.	**586**	54	–

17.2 Related-party transactions

Amounts due from/(payable to) related parties are as follows:

		June 2021 R'000	June 2020 R'000	December 2020 R'000
Simgarvin Investments Proprietary Limited				
Relationship:	Company controlled by a director of the group.	**–**	(8 329)	(8 329)
Hunts Attorneys				
Relationship:	Director with an interest in a legal practice – RS Katz	**162**	162	162

18. 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 initial payment of an acquisition was incorrectly classified as a financing activity. This has now been corrected to be classified as an investing activity. The reclassification does not affect profit or loss.

	Restated 30 June 2020 R'000	Previously reported 30 June 2020 R'000	Adjustment R'000
Cash flows from investing activities	(22 285)	(8 332)	(13 953)
Payment of contingent consideration for business	(13 953)	(13 953)	–
Cash flows from financing activities	(177 396)	(191 349)	13 953

For and on behalf of the board

JR Macey
(Independent Chairman)

RS Katz
(Chief Executive Officer)

WP van Wyk
(Financial Director)

Johannesburg

19 August 2021

CORPORATE INFORMATION

EXECUTIVE DIRECTORS
RS Katz
WP van Wyk

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

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S van Schalkwyk

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