REVIEWED PROVISIONAL RESULTS

FOR THE YEAR ENDED 31 DECEMBER 2020

Uplifting people.
Growing business.

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

WHAT WE DO:

The group provides 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 purchase 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 for it.

* *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 emerged 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.

WHERE WE OPERATE

29 trading brands in the group

Six active branches beyond our borders

95 branches in South Africa

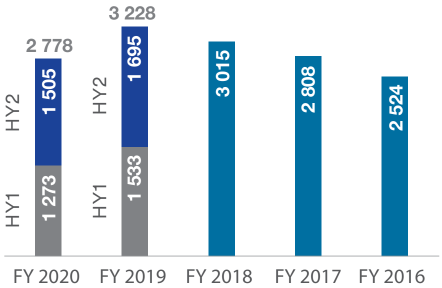
Operational in **five** countries outside of South Africa

KEY NUMBERS

2020 was a particularly difficult year given the impact of Covid-19 and one likely never to be forgotten. Despite this, the investment clusters performed remarkably well during the second half of the financial year, once they were able to assess this "new normal" and effectively mitigate risks while at the same time positioning themselves strongly for the future.

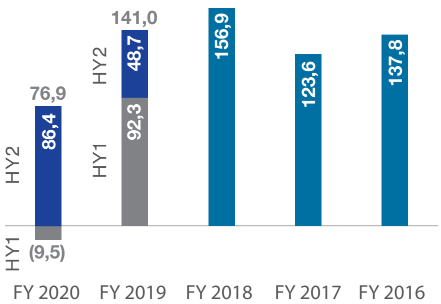
FINANCIAL

Revenue (Rm)



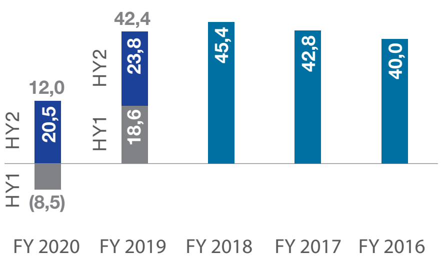
Workforce recorded revenue of R2,7 billion (2019: R3,2 billion). The impact of Covid-19 was visible during the first six months of 2020 and the recovery post July 2020 is reflected in the improved second half of the financial year.

EBITDA (Rm)



The second six months of 2020 delivered an increase of 77% compared to the same period during 2019. These numbers are indicative of certain cost saving measures, very strong results from the Healthcare cluster and an exceptional recovery in the Staffing and Outsourcing cluster during the last quarter of 2020.

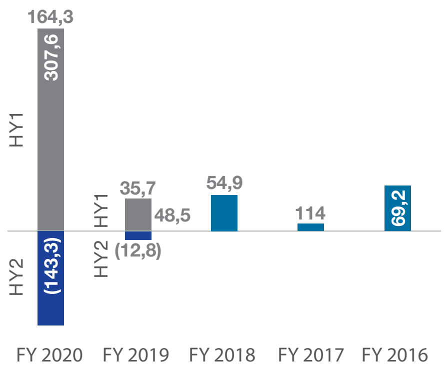
HEPS (cents)



The clawback in HEPS in the second half of the financial year, reflects the return of volumes within the business to near-normal levels.

KEY NUMBERS (CONTINUED)

Cash generated from operating activities (Rm)



During the first half of the year volumes reduced, resulting in lower working capital. This was followed by an aggressive debtor collection process and VAT payment postponements. By the second half of year volumes normalised, resulting in higher working capital requirements and Workforce began to repay VAT.

Debt to equity ratio of 0,35 (2019: 0,45)

Days sales outstanding improved to 45,5 days (2019: 49,6 days)

EMPOWERMENT

Level 2 B-BBEE

51% Black ownership

40% Black women ownership

OUR PEOPLE

1 259 Permanent staff employed

61% Women

70% "Black"

40% "Youth"

OUR POSITIVE IMPACT

33 884 Average weekly assignees	**82 582** Training instances	**8 356** Learners on learnership programmes
54 Registered learnerships	**83 496** Medical examinations conducted	**50 740** Funeral and medical policies issued

160 000
Lives covered through EAP* call centre

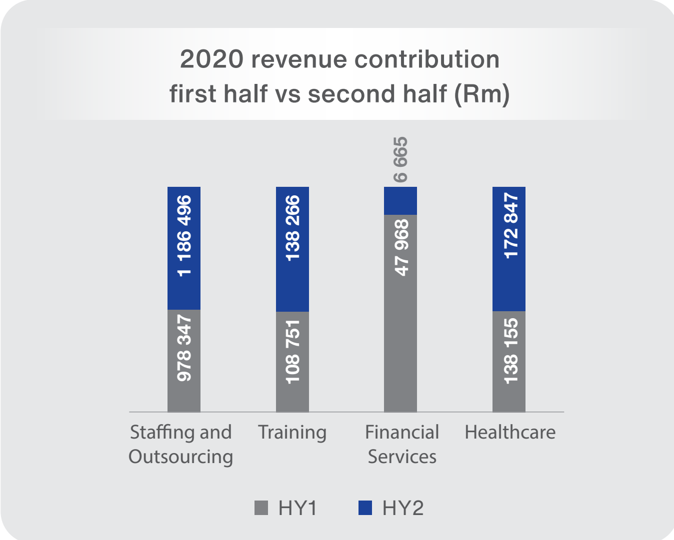
* *Employee Assistance Programme.*

COMMENTARY

EXTERNAL OPERATING ENVIRONMENT AND FINANCIAL PERFORMANCE

During the first six months of year the investment clusters were particularly impacted by Covid-19. There was, however, a visible step change after July 2020, as lockdown levels eased, and our clients reopened for business. This was carried through the results, with a much-improved second half to the financial year.

Cluster executives quickly consolidated their positions, cut costs, implemented technology and got on with business. This resulted in a substantially better result in the second half of the year, with certain investment clusters exceeding expectations and others coming very close to returning to near-normal levels of utilisation of services and earnings patterns.



INVESTMENT CLUSTER OPERATING REVIEW

Staffing and Outsourcing

The Staffing and Outsourcing cluster had a reasonable start to the first quarter of the financial year but was adversely affected by the impact of Covid-19 for the months of April, May and June. Pleasingly, when the economy reopened after the hard lockdown, business picked up significantly. Despite a reduction in overall revenue of 16% to R2,2 billion (2019: R2,6 billion), EBITDA improved by 1% to R127,4 million (2019: R125,9 million). During the second half of the year EBITDA increased by 78% compared to the first half of the financial year. The cluster contributed 85% to overall EBITDA of the group.

The cluster continued to assist individuals with the Temporary Employer Relief Scheme ("TERS"), which was due to end in October 2020, but which Government extended to 15 March 2021. The relaxation of barriers to the Employment Tax Incentive ("ETI") from April to July 2020, resulted in a significant benefit that enabled the cluster to offset to some extent the fall in revenue because of lockdown regulations.

Strong brand positioning within traditional economic sectors, allowed the cluster to continue to perform well. However, a significant boost to performance was due to diversification into sectors such as transport, warehousing, power generation, oil and gas, e-commerce, distribution, renewable energy, and technical mining. This diversification ensured that by September 2020 volumes were back to the same levels as at March 2020, and then surpassed. Pleasingly, the client base was retained, and in some instances expanded.

Stringent cash preservation, cost controls and a focus on debt collection continued throughout the financial year with great success.

The cluster remains well positioned for growth as it has positioned its business model to tap into the new sectors contributing to economic growth, in addition to all other areas of expertise this cluster has entrenched.

Recruitment[1]

Many of the sectors served by this investment cluster were deeply impacted by Covid-19, with permanent recruitment coming to a virtual halt during the initial lockdown period and slowly picking up after that. As a consequence, most vacancies were put on hold and new business service level agreements delayed to 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, which proved to be profitable. Lockdown further provided an opportunity to review efficiencies, implement cost reductions and hire critical resources, putting the cluster in a position to obtain greater market share. This is supported by one of the leading brands in the Recruitment investment cluster, Fempower, obtaining a Level 1 B-BBEE rating.

With an exceptional client base in place, tapping further into the entrenched footprint will be the focus for the coming year. Promise lies within the mining

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

industry as a contributor to revenue for 2021, as it does for the headhunting and blue-collar services.

The acquisition of OpenSource will add diversity to an already strong offering from the Recruitment cluster, through the ability to place and train within the SAP space.

Training

All industries, particularly the mining sector, that are serviced by the cluster were negatively impacted by the various lockdown levels during the first half of the financial year. Training stopped and in-classroom training was especially impacted, in turn affecting the cost per learner. The mining sector also stopped taking on additional workers for several months which impacted the on-boarding division. This resulted in an overall revenue decline of 8%, with an EBITDA decline of 51%. Despite the impact on profitability, during the second half of the year EBITDA improved by 56% compared to the first half of the year. The cluster contributed 18% to EBITDA of the group.

Chartall Business College ("Chartall"), acquired in January 2020, exceeded expectations primarily as it was already offering higher education Bachelor of Business Administration degrees and Sector Education and Training Authority ("SETA") registrations and learnerships to the banking sector via its digital platforms. In light of synergies, this digital element was incorporated, with great success, into the rest of the cluster businesses.

All companies in the cluster showed improved results in the second six months of the year, with much better activity levels, although these are not yet at the normalised levels of prior years. KBC, with a dedicated focus on contractors' to the mining sector, remains impacted as many of the contractors training products were placed on hold as the mining sector first shut down and then started implementing cost savings.

It is envisaged that the first six months of the new financial year will remain challenging given the second wave of Covid-19 infections. However, compared to the first half of 2020, activity levels are already much improved. The cluster has been able to maintain activity at 70% to 80% of normalised levels and it is expected that in the latter part of the 2021 financial year this will improve even further.

Compliance training will receive impetus with the establishment of Sikelela Training Academy, a dedicated compliance training offering supported by the knowledge and expertise of three brands within the training cluster, all mandated to generate leads and roll out training.

Financial Services

The Financial Services cluster experienced a difficult year and results were affected in part due to the effects of Covid-19 as well as the shutdown of the Babereki Product Division. The latter was due to many clients being laid off or put on short time and accordingly not able to afford their instalments and we also stopped issuing loans during that period. This led to a decision to write off a portion of the loan book amounting to a net R46,5 million, resulting in reduced revenue of 42% to R54,6 million (2019: R94,2 million) and an EBITDA loss of R55,0 million (2019: R15,8 million) was incurred. The cluster contributed 2% to revenue of the group.

Essential Employee Benefits ("EEB"), our investment into the medical insurance and other financial insurance products, and one of the first offerings in the Workforce group to operate outside of South Africa, continued with the momentum it has built up locally and in Africa, with strong cash generation and success in winning tenders.

The Debtworx business, post a strategic review, is now operationally leaner and has developed systems to help manage the business. It continues its successful involvement with the YES Programme and the focus on Authentic Early Debit Order ("AEDO").

The easing of Covid-19 lockdown restrictions and the further opening of the economy should lead to the re-employment of people. We will maintain a cautious approach within the business, given poor income levels and credit markets. All indications are that insurance products show positive demand and further growth is envisioned. Overall, the pipeline for the Financial Services cluster for 2021 is strong and a stringent focus will be placed on generating cash flow and returning this business to profitability.

Healthcare

The Healthcare cluster was deemed to provide an essential service and as such was active throughout all of the lockdown levels. The business saw an increased demand for services to assist clients to ensure their business operations continued smoothly during the pandemic, which supported it in achieving a strong performance. Revenue growth of 14% was achieved, all of which was organic and the cluster contributed 11% of revenue to the group. EBITDA growth was pleasing at 71% to R49,6 million (2019: R29,0 million). The cluster contributed 33% to EBITDA of the group. Strict cash preservation measures remained in place, with a positive cash flow and improved debtors days.

The businesses in the cluster that provide primary healthcare personnel solutions, experienced little change in demand especially in the frail care sector. Although there was reduced 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, the rapid rise of Covid-19 cases during the first six months of the financial year led to an increased demand for nurses at hospitals. As lockdown levels eased, hospitals opened and the demand for placements of doctors, nurses and technicians once again increased. This part of the investment cluster also experienced exceptional success in winning tenders to provide medical and nursing staffing throughout the country.

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 awareness of the Workforce brand in the medical sector.

The cluster achieved a Level 2 B-BBEE accreditation (2019: Level 3) and this further supported the use of solutions and products by clients country-wide.

There is no doubt that the devastating effects of Covid-19 will be felt in the years to come, with clients having to adjust to ensure the legal requirements of occupational health remain firmly in place. The cluster is similarly adapting to ensure more remote access platforms are in place. Lessons learnt in the successful supply of critical staff in certain provinces will be rolled out across the country and supported by online training options. These online courses are being provided free-of-charge partially as a way to make a meaningful positive impact to the lives of the staff placed and also as a way to drive partnerships in the training sphere.

Covid-19 is one of the most critical impacts the South African economy has recently had to face, and this investment cluster was able to validate itself as a leader in the healthcare space with brands able to withstand a recessionary environment.

Africa[2]

This area of our business was particular badly impacted by Covid-19 being unable to travel between South Africa and the countries where we started businesses, so the anticipated results from this investment cluster did not materialise. Despite this, we remain committed to doing work outside of our borders as we believe there will be good benefits in the future. Workforce Africa is responsible for business development outside of South Africa and represents all of Workforce's services and products.

The branch in Mauritius was restructured which mitigated the previously heavy exposure to the hospitality sector, giving it broader exposure to the provision of training in the agriculture and textile sectors.

In Mozambique, the investment cluster is extremely well positioned with the addition of strong management, to supply staffing and upskilling solutions through technical and general training courses for the large-scale LNG project.

Botswana, which comprises the most complete service offering outside of South Africa, including staffing, outsourcing and recruitment, employee benefits (such as funeral policies) and microfinance, continues to perform to expectations.

Workforce Africa is upbeat about the opportunities that exist in the rest of Africa. Economies are growing, supported by infrastructure projects, and there is demand for the provision of healthcare professionals, training, staffing and recruitment solutions, as well as financial services solutions. We are currently investigating other opportunities in other African countries attempting to form partnerships with local companies. We believe that there is a long-term growth opportunity in development in Africa of all our product offers and albeit that initially profitability is low, the expectation over the longer term is good.

FINANCIAL AND OTHER COMMENTARY

Taxation

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 R27,7 million (2019: debit of R0,9 million). The gross ETI for the year amounted to R96,1 million (R55,8 million), however of this, R24,8 million was extended ETI claims for the year.

Due to the group decision to conserve cash, management approached SARS and was granted a deferral on payments of VAT for the period March 2020 to July 2020. The liability to SARS will be settled in 12 equal instalments beginning September 2020 to August 2021.

Cash generation and liquidity

The group cash flow from operations for the year dropped to R52,8 million from R138,6 million in the prior year. The mammoth impact that Covid-19 had on the group in the first six months contributed to the reduction in profits.

Days sales outstanding improved to 45,5 days (2019: 49,6 days) and overdue debtors settled at 8% of total book (2019: 9,8%).

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

Workforce remains a going concern, with sufficient liquidity to take the group through the current crisis.

The group is confident to emerge stronger once this challenging time has passed. The necessary plans and strategies are in place to ensure for a successful year ahead.

Gearing

Workforce has a debt-to-equity ratio of 0,35 compared to the previous year of 0,45. The difference in this ratio occurred due to the decrease of our utilisation of the ABSA facility.

Acquisitions and diversification

The quick and robust adoption of technology to train, recruit, communicate and interact with customers and assignees has been of tremendous benefit to the group. This will be enhanced upon and similarly, we will continue our drive of diversification too. Acquisitions such as Chartall, included in the numbers for the full year, have delivered very good results. Our acquisition of OpenSource, effective post the year-end, in the SAP space is a further case in point to support specialised areas in the recruitment space.

Since 2015, the group has paid a total of R237 million for acquisitions and earned 65% of the purchase consideration back in profit before tax. It remains an intention of the group to continue to assess acquisition opportunities.

Outlook

We remain hugely encouraged by the way that the investment clusters were able to claw back their position in the second half of the year, with a stringent focus on debt collection, costs and on cash generation. This position will continue, and we look forward to a greater contribution from each of the investment clusters and a total improved group result in the coming year.

The recent Budget Speech was encouraging and business friendly rather than heavily weighted towards ideology. We eagerly await the rollout of infrastructure projects as a growth driver for the economy, understanding that although South Africa will only reach pedestrian growth in the coming years, the country still needs infrastructure spend to achieve a higher economic growth path into the future. We keep a watchful eye on similar large projects being developed in the geographies we operate in outside of South Africa where Workforce can add tremendous value as a relevant and significant supplier.

We will remain dedicated to our core competencies as market conditions will likely remain challenging for the foreseeable future. However, four decades of experience, a very strong network of teams across the business, organised into investment clusters with a common purpose to ensure success and growth, makes for a force that cannot be underestimated.

John Macey
Independent chairman

Ronny Katz
Chief executive officer

Willie van Wyk
Financial director

31 March 2021

GROUP STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 R'000	2019 R'000
Revenue	5	**2 778 034**	3 227 054
Cost of sales		**(2 132 608)**	(2 524 659)
Gross profit		**645 426**	702 395
Other income		**7 340**	1 402
Operating costs		**(575 887)**	(562 862)
Earnings before interest, taxation, depreciation and amortisation ("EBITDA")		**76 878**	140 935
Fair value adjustments		**(3 883)**	30 147
Depreciation and amortisation		**(47 598)**	(41 030)
Finance income		**745**	1 278
Finance costs		**(18 503)**	(32 257)
Profit before taxation		**7 640**	99 073
Taxation	7	**27 731**	(943)
Profit after tax		**35 370**	98 130
Other comprehensive income after tax			
Items that are reclassified to profit or loss:			
Foreign translations gain/(loss)		**(2 140)**	(853)
Exchange differences on translating foreign operations		**(2 140)**	(853)
Total comprehensive income for the year		**33 230**	97 277
Profit for the year attributable to:			
Owners of the parent		**31 244**	95 769
Non-controlling interests		**4 126**	2 361
		35 370	98 130
Total comprehensive income attributable to:			
Owners of the parent		**29 104**	94 916
Non-controlling interests		**4 126**	2 361
		33 230	97 277
Earnings per share (cents per share)			
Basic earnings per share	8	**13,9**	42,5
Diluted earnings per share	8	**13,9**	41,2

GROUP STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 R'000	2019 R'000
Assets			
Non-current assets		**448 525**	386 939
Right-of-use assets	3	**57 126**	28 183
Property, plant and equipment		**20 651**	20 642
Goodwill	4	**215 780**	192 993
Intangible assets		**77 325**	74 302
Deferred tax assets	6	**71 012**	63 882
Other financial assets		**6 631**	6 937
Current assets		**851 308**	892 530
Trade and other receivables		**765 459**	836 224
Inventories		**3 907**	4 229
Taxation		**2 675**	3 069
Cash and cash equivalents		**79 267**	49 008
Total assets		**1 299 833**	1 279 469
Equity and liabilities			
Equity		**734 242**	694 877
Equity attributable to owners of the parent		**730 564**	695 325
Stated capital		**234 051**	234 051
Treasury shares		**(13 075)**	(13 075)
Foreign exchange differences on translation of foreign operations		**(2 444)**	(304)
Equity-settled employee benefits reserve		**5 555**	5 529
Retained earnings		**506 477**	469 124
Non-controlling interests		**3 678**	(448)
Non-current liabilities		**37 870**	57 022
Financial liabilities		**21 026**	17 698
Interest-bearing loans and borrowings		**14 453**	14 781
Deferred tax liabilities		**2 391**	24 543
Current liabilities		**527 721**	527 570
Trade and other payables		**226 616**	167 906
Financial liabilities		**253 807**	341 877
Interest-bearing loans and borrowings		**47 298**	17 787
Total equity and liabilities		**1 299 833**	1 279 469

GROUP STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to owners of the parent							
	Share capital and premium R'000	Treasury shares R'000	Foreign currency translation reserve R'000	Equity-settled employee benefits reserve R'000	Retained earnings R'000	Total R'000	Non-controlling interests R'000	Total equity R'000
Balance at 1 January 2019	234 051	(11 158)	549	9 288	368 543	601 273	(2 809)	598 464
Recognition of share-based payments	–	–	–	4 525	–	4 525	–	4 525
Buy-back of shares	–	(1 917)	–	–	–	(1 917)	–	(1 917)
Issue of ordinary shares under share option plan	–	–	–	(8 284)	8 284	–	–	–
Payment of dividends	–	–	–	–	(4 488)	(4 488)	–	(4 488)
Total comprehensive income for the year	–	–	(853)	–	96 785	95 932	2 361	98 293
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**
Buy-back of shares	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Issue of ordinary shares under share option plan	**–**	**–**	**–**	**(6 776)**	**6 776**	**–**	**–**	**–**
Payment of dividends	**–**	**–**	**–**	**–**	**(667)**	**(667)**	**–**	**(667)**
Total comprehensive income for the year	**–**	**–**	**(2 140)**	**–**	**31 244**	**29 104**	**4 126**	**33 230**
Balance at 31 December 2020	**234 051**	**(13 075)**	**(2 444)**	**5 555**	**506 477**	**730 564**	**3 678**	**734 242**

GROUP STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Notes	2020 R'000	2019 R'000
Cash generated from operations before net working capital changes		**35 166**	111 845
Cash generated from operations	9.1	**52 816**	138 601
Finance income		**745**	1 278
Finance costs		**(14 602)**	(27 094)
Taxation paid	9.2	**(3 793)**	(940)
Decrease/(increase) in net working capital	9.3	**129 087**	(76 111)
Cash flows from operating activities		**164 253**	35 734
Cash flows from investing activities		**(13 971)**	(21 831)
Property, plant and equipment acquired		**(8 830)**	(10 028)
Proceeds on disposal of property, plant and equipment		**293**	386
Dividend income		**644**	1 200
Intangible assets acquired – maintaining operations		**(6 196)**	(13 389)
Payment of contingent consideration for business combinations		**(13 953)**	–
Acquisition of business	13.1	**118**	–
Cash flows from financing activities		**(120 023)**	(6 443)
Repayment of borrowings	9.5	**(96 201)**	(1 255)
Proceeds from borrowings		**10 000**	42 478
Payment of lease liabilities	9.5	**(25 741)**	(18 693)
Payment for buy-back of shares		**–**	(1 917)
Payment of contingent consideration for business combinations	9.5	**(7 415)**	(22 569)
Dividends paid		**(666)**	(4 487)
Net change in cash and cash equivalents		**30 259**	7 460
Cash and cash equivalents at the beginning of the year		**49 008**	41 548
Cash and cash equivalents at the end of the year		**79 267**	49 008

NOTES TO THE GROUP FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. GENERAL INFORMATION

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

2. BASIS OF PREPARATION

The reviewed provisional condensed financial results for the year ended 31 December 2020 have been prepared in accordance with the JSE Limited Listings Requirements ("Listings Requirements") for condensed financial results and the requirements of the Companies Act, 2008 (Act 71 of 2008), as amended ("Companies Act"). The Listings Requirements require financial reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS"), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and also that they as a minimum contain the information required by IAS 34: *Interim Financial Reporting*. The accounting policies applied in the preparation of the provisional condensed reviewed financial results are in terms of IFRS and are consistent with the accounting policies applied in the preparation of the previous audited consolidated annual financial statements.

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

The provisional financial statements are presented in South African Rand (ZAR), the functional currency of the group and company and all amounts are rounded to the nearest thousand, except when otherwise indicated, and reviewed by the groups auditors, Crowe JHB who expressed an unmodified opinion thereon. The review opinion is available for inspection at the registered office of the group.

3. RIGHT-OF-USE ASSETS

	2020			2019		
	Cost R'000	**Accumulated depreciation R'000**	**Carrying value R'000**	Cost R'000	Accumulated depreciation R'000	Carrying value R'000
Property	**103 403**	**(51 660)**	**51 743**	58 208	(35 632)	22 576
Motor vehicles	**13 809**	**(8 426)**	**5 383**	10 202	(4 595)	5 607
	117 212	**(60 086)**	**57 126**	68 410	(40 227)	28 183

The carrying value of right-of-use assets can be reconciled as follows:

	Property R'000	Motor vehicles R'000	Total R'000
Carrying value at 1 January 2019	27 341	3 900	31 241
Additions	9 961	5 503	15 464
Depreciation	(14 726)	(3 796)	(18 522)
Carrying value at 31 December 2019	22 576	5 607	28 183
Additions	45 203	3 607	48 810
Depreciation	(16 036)	(3 831)	(19 867)
Carrying value at 31 December 2020	**51 743**	**5 383**	**57 126**

3. RIGHT-OF-USE ASSETS (continued)

The table below describes the nature of the group's leasing activities by type of right-of-use asset recognised on balance sheet:

Right-of-use asset	Number of right-of-use assets leased	Range of remaining term	Average remaining lease 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	31	12 to 60 months	60 months	80	–	–	80
Motor vehicles	96	12 to 48 months	36 months	71	–	–	71

Depreciation on right-of-use assets and property, plant and equipment are included in "Depreciation" in the statement of comprehensive income.

The lease liabilities are secured by the related underlying assets. The undiscounted maturity analysis of lease liabilities at 31 December 2020 is as follows:

Minimum lease payments due	Within a year	1 to 2 years	2 to 3 years
31 December 2020			
Lease payments	**19 363**	**31 801**	**25 489**
Finance charges	**(4 925)**	**(7 490)**	**(2 487)**
Net present values	**14 438**	**24 311**	**23 002**
31 December 2019			
Lease payments	20 104	12 346	3 448
Finance charges	(2 317)	(846)	(167)
Net present values	17 787	11 500	3 281

4. GOODWILL

		2020 R'000	2019 R'000
Carrying value at the beginning of the year		**192 993**	191 230
Acquired through business combination (see note 12.1)		**22 787**	1 763
Carrying value at the end of the year		**215 780**	192 993
For the purpose of annual impairment testing, goodwill is allocated to the following cash-generating units:			
Staff outsourcing	– Workforce Staffing		
	– Telebest Holdings	**4 275**	4 275
	– Allmed Healthcare Professionals	**31 190**	31 190
	– Quyn Group	**5 815**	5 815
	– Gcubed	**39 134**	39 134
	– Day-Click	**652**	652
	– Oxyon Human Capital Solutions	**885**	885
		8 977	8 977
Training	– Prisma Training Solutions	**21 221**	21 221
	– KBC Holdings	**22 331**	22 331
	– Talent Factor	**1 763**	1 763
	– Dyna Group	**56 750**	56 750
	– Uni Education Group	**22 787**	–
		215 780	192 993

4. GOODWILL (continued)

The recoverable amount of the cash-generating units are determined based on value-in-use calculations. The key assumptions for the value-in-use calculations are discount rates, growth rates and expected cash flows. Management estimates discount rates using rates that reflect current market assumptions of the time value of money and the risk specific to the industry. An average discount rate of 17,6% (2019: 20,9%) was used, as all cash-generating units share similar risk characteristics. The reduction in the average discount rate is a reflection of the lower borrowing rates prevailing in the market as well as taking into account the capital structure of comparable businesses. The growth rates and cash flow forecasts are based on approved budgets for the forthcoming financial years, as well as an estimation of growth forecasts specific to each cash-generating unit into the future.

Cash flow projections during the budget period are based on the same expected gross margins throughout the budget period. The directors believe that any reasonable possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit. Cash flows beyond that five-year period have been extrapolated using a steady 5% (2019: 5%) per annum growth rate. This growth rate does not exceed the long-term average growth rate.

	Average growth rate for years one to five
Workforce Staffing	5%
Telebest Group	11,9%
Allmed Healthcare Professionals	5%
Quyn Group	11,2%
Gcubed	5%
Day-Click	5%
Oxyon Human Capital Solutions	12,1%
Prisma Training Solutions	5%
KBC Holdings	10,0%
Dyna Group	5%
Uni Education Group	5%

Management believes that any reasonable possible changes in the key assumptions on which recoverable amounts are based would not cause the aggregate carrying amount of each cash-generating unit to exceed the aggregate recoverable amount of each of the cash-generating units respectively.

5. REVENUE

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

Type of services	Staffing and outsourcing R'000	Training R'000	Financial services R'000	Healthcare R'000	Total R'000
31 December 2020					
Staffing solutions	**2 140 019**	**–**	**–**	**–**	**2 140 019**
Placement fees	**22 648**	**–**	**–**	**–**	**22 648**
Payroll management	**2 716**	**–**	**–**	**–**	**2 716**
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**
	2 165 383	**247 017**	**54 633**	**311 002**	**2 778 034**

5. REVENUE (continued)

Type of services	Staffing and outsourcing R'000	Training R'000	Financial services R'000	Healthcare R'000	Total R'000
31 December 2019					
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
	2 591 860	268 577	94 286	272 331	3 227 054

During the first six months of year the investment clusters were particularly impacted by Covid-19. There was, however, a visible step change after July 2020, as lockdown levels eased, and our clients reopened for business. This was carried through the results, with a much-improved second half to the financial year.

6. DEFERRED TAX

The net movement in deferred tax balances was an increase in deferred tax assets of R29 282. This is mainly due to increases in deferred tax assets arising from tax losses in the group. The tax losses are driven by tax allowances claimed by the group for learnership contracts and by trading losses. Difficult trading conditions relating to Covid-19 have resulted in a number of subsidiaries of the group experiencing losses in the current year. Management expects sufficient future taxable income to be realised in order to utilise these tax losses.

7. TAXATION

The group shows a tax credit to the income statement 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 learnership allowances has been extended to two years.

8. EARNINGS PER SHARE

Basic earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2020	2019
Profit attributable to equity shareholders of the parent company (R'000)	**31 244**	95 769
Weighted average number of ordinary shares in issue ('000)	**225 492**	225 492
Diluted weighted average number of shares in issue ('000)	**225 492**	231 634
Basic earnings per share (cents)	**13,9**	42,5
Diluted earnings per share (cents)	**13,9**	41,2
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:		
The weighted average number of ordinary shares in issue ('000)	**225 492**	226 856
Shares deemed to be issued for no consideration in respect of:		
Employee options	**–**	4 778
Weighted average number of ordinary shares in the calculation of diluted earnings per share	**225 492**	231 634

8. EARNINGS PER SHARE (continued)

Headline earnings per share

The earnings used in the calculation of headline earnings per share are as follows:

	Gross of tax 2020	Net of tax 2020	Gross of tax 2019	Net of tax 2019
Profit attributable to equity shareholders of the parent company (R'000)	–	31 244	–	95 769
Adjusted for:				
Loss/(gain) on disposal of property, plant and equipment (R'000)	1 058	762	(172)	(124)
Impairments of intangibles (R'000)	1 217	1 217	–	–
Gain on bargain purchase (R'000)	(6 226)	(6 226)	–	–
Total headline earnings (R'000)	–	26 997	–	95 645
Weighted average number of ordinary shares in issue ('000)	–	225 492	–	225 492
Diluted weighted average number of ordinary shares in issue ('000)	–	225 492	–	231 634
Headline earnings per share (cents)	–	12,0	–	42,4
Diluted headline earnings per share (cents)	–	12,0	–	41,2

9. NOTES TO THE CASH FLOWS

9.1 Cash generated from operations

	2020 R'000	2019 R'000
Profit before taxation	7 640	99 073
Interest income	(745)	(1 278)
Other income	(628)	(1 200)
Finance costs	14 602	27 094
Adjusted for non-cash items:		
Gain on disposal of property, plant and equipment	120	357
Depreciation and amortisation of non-financial assets	47 598	41 030
(Gain)/loss arising on financial liability at fair value through profit or loss	–	(30 147)
Foreign exchange differences on translation of foreign operations	(2 140)	(853)
Expense recognised in respect of equity-settled share-based payment	(6 802)	(3 759)
Other non-cash items	(6 828)	8 284
	52 816	138 601

9.2 Taxation paid

	2020 R'000	2019 R'000
Charged to profit or loss	(2 180)	(943)
Adjusted for deferred tax	29 516	(930)
Movement in taxation balance	394	933
	27 730	(940)

9. NOTES TO THE CASH FLOWS (continued)

9.3 Working capital changes

	2020 R'000	2019 R'000
Change in trade and other receivables	72 536	(101 437)
Change in inventories	322	736
Change in trade and other payables	56 229	24 590
	129 087	(76 111)

9.4 Equity-settled share-based payments

Employees received shares in settlement of the equity-settled share-based payment scheme. The employees were given the option of retaining the shares they were granted, or selling their shares on the open market. The company sold the shares on the employees' behalf and paid them the proceeds from the sale.

9.5 Changes in liabilities arising from financing activities

	1 January 2020	Cash flows	Additions to liabilities	31 December 2020
Non-current treasury share loan	7 974	–	355	8 329
Interesting-bearing borrowings	32 568	(25 741)	54 924	61 751
Instalment sales liabilities	1 090	(999)	2 009	2 100
Contingent consideration	15 007	(7 533)	20 581	28 055
Invoice discounting facility	306 246	(79 897)	10 000	236 349
Loan facility bearing interest	29 258	(29 258)	–	–
	392 143	(143 428)	87 869	336 584

10. SEGMENT REPORTING

During the reporting period, the group reorganised its segments and formed six business clusters of the different business activities and placed each cluster under an independent management team. As the formation of the clusters is in transition since late last year, our financial segmental reporting for the 2020 year will not reflect the new cluster structure identically, but is structured as follows:

- 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 and apprenticeship programmes, adult education training and contractor on-boarding.
- Financial services – comprising 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 segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

10. SEGMENT REPORTING (continued)

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

2020	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
Segment revenues	2 164 843	247 017	54 633	311 002	540	–	2 778 034
Inter-segment revenue	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	88 122	20 179	(9 027)	645 425
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 adjustment	–	(3 321)	(629)	–	66	–	(3 883)
Depreciation and amortisation of non-financial assets	(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	17 259	(58 608)	46 297	(97 894)	(11 060)	7 640
Capital expenditure	9 393	10 224	179	448	11 856	–	32 100
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

10. SEGMENT REPORTING (continued)

2019	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
Segment revenues	2 592 173	268 577	94 286	272 331	(313)	–	3 227 054
Inter-segment revenue	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	–
Gross margin	412 354	165 094	63 033	81 883	(362)	(19 607)	702 395
Operating costs	(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 of non-financial assets	(11 475)	(4 982)	(1 804)	(2 277)	(7 140)	(13 352)	(41 030)
Finance income	358	638	26	82	174	–	1 278
Finance costs	(10 781)	(1 691)	(1 406)	(1 698)	(16 681)	–	(32 257)
Segment profit/(loss) before tax	104 056	49 648	12 265	25 111	(78 655)	(13 352)	99 073
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)
Net segments assets/ (liabilities)	394 666	52 886	(68 022)	25 752	491 374	(201 779)	694 877

Geographical information

The group's revenue from external customers and information about its segment assets (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 2020 or 2019.

11. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

11.1 Set out below is an overview of financial assets held by the group:

	Notes	2020 R'000	2019 R'000
Financial assets at amortised cost		**848 867**	852 999
Trade and other receivables	7	**769 600**	803 991
Cash and cash equivalents	9	**79 267**	49 008
Financial assets at fair value through profit and loss		**5 878**	6 937
Investment in cell captive	6	**2 476**	3 105
Quoted equity shares		**3 402**	3 832
Total		**854 745**	859 936
Total current		**848 867**	852 999
Total non-current		**5 878**	6 937
Set out below is an overview of financial liabilities held by the group:			
Financial liabilities at amortised cost			
Trade and other payables		**179 267**	72 088
Interest-bearing borrowings		**196 349**	276 246
Loan on treasury shares	11	**8 329**	7 974
Contingent consideration	11	**28 055**	15 007
Current	11	**9 498**	5 683
Non-current	11	**18 557**	9 324
Total		**412 000**	371 315
Total current		**393 443**	361 991
Total non-current		**18 557**	9 324

11.2 Fair value measurement

Fair values

The following table provides the fair value measurement hierarchy of the group's financial assets and financial liabilities.

- The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

11. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

11.2 Fair value measurement (continued)

Fair values (continued)

	Date of valuation	Total	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3
Financials assets as at 31 December 2020					
Quoted equity shares	31 December 2020	3 402	3 402	–	–
Cell captive	31 December 2020	2 476	–	–	2 476
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	9 435	–	–	9 435
As at 31 December 2019					
Financial assets					
Quoted equity shares	31 December 2019	3 832	3 832	–	–
Cell captive	31 December 2019	3 105	–	–	3 105
Financial liabilities					
Loan from Simgarvan Proprietary Limited	31 December 2019	7 974			7 974
Contingent consideration relating to business acquisition	31 December 2019	15 007	–	–	15 007

Valuation technique	Significant unobservable inputs	Sensitivity of the input to fair value
Quoted bid prices in active market.	N/A	N/A
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 representation of fair value.	Fair values of the cell captive's assets and liabilities.	A 2% increase or decrease in the fair value of the underlying assets and liabilities should not result in a change in the fair value.
Discounted cash flow method was used to capture the present value of the expected future economic benefits that will flow out of the group. Discount rate of 17,5% determined using the capital asset pricing model. Probability adjusted profits with ranges of R5 million to R17,6million.	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 R3 062 000. A slight change in the probability adjusted profits in isolation would not result in a significant change in fair value.
Discounted cash flow method was used to capture the present value of the expected future economic benefits that will flow out of the group. Discount rate of 17,5% determined using the capital asset pricing model. Probability adjusted profits with ranges of R5 million to R17,6 million.	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 R1 556 775 (2019: R2 742 810). A slight change in the probability adjusted profits in isolation would not result in a significant change in fair value.
As above	As above	As above
As above	As above	As above

11. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

11.2 Fair value measurement (continued)

Reconciliation of level 3 fair value measurements

	Investment in cell captive	Contingent consideration	Total
As at 31 December 2020			
Opening balance	**3 105**	**15 007**	**18 112**
Gain/(loss) in profit or loss*	**(385)**	**5 345**	**4 960**
Additions	**–**	**29 189**	**29 189**
Release on liability		**(21 486)**	**(21 486)**
	2 476	**28 055**	**1 586**
Change in unrealised gains or losses included in profit or loss	(385)	5 345	4 960
As at 31 December 2019			
Opening balance	3 490	31 401	34 891
Gain/(loss) in profit or loss	(385)	17 885	17 500
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	3 490	31 401	34 891

* *Change in unrealised gains or losses included in profit or loss.*

12. RELATED-PARTY TRANSACTIONS

12.1 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:

		2020 R'000	2019 R'000
Wellington Property Investments Proprietary Limited		**10 470**	14 222
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.		
Vunani Capital Proprietary Limited		**945**	144
Relationship:	Shareholder		
Type and term of transaction:	Designated advisors' fees paid in terms of service level agreement.		
Hunts Attorneys		**1 079**	151
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 legal work and advise on group's behalf.		
Guardrisk Insurance Company Limited		**389**	695
Relationship:	Cell captive arrangement		
Type and term of transaction:	Insurance premium paid monthly to cell captive in line with policy.		
Monte Legal Consultants Proprietary Limited		**–**	320
Relationship:	Shareholder		
Type and term of transaction:	Advisor's fees in terms of business acquisitions.		

12. RELATED-PARTY TRANSACTIONS (continued)

12.2 Related party loans

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

		2020 R'000	2019 R'000
Simgarvan Investments Proprietary Limited		–	(7 974)
Relationship:	Company controlled by a director of the group		
Hunts Attorneys		162	162
Relationship:	Director with an interest in a legal practice – RS Katz		

The loans above are interest free, have no fixed terms of repayment and are unsecured.

13. BUSINESS COMBINATION

Business acquired

13.1 Uni Education Group (Proprietary Limited)

2020	Date of acquisition	Portion of business acquired %	Consideration transferred R'000
Principal activity Uni Education Group Proprietary Limited ("UEG") is the 100% holding company of Chartall Business College Proprietary Limited ("Chartall Business College"), a registered and accredited provider of training services and educational qualifications primarily to the financial services sector and mainly through the online 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.	–	–	34 883

	Total R'000
Consideration transferred	
Cash	13 953
Contingent consideration	20 930
Total	34 883
Contingent consideration	
Second payment	13 558
Third payment	5 785
Fourth payment	4 923
Top-up payment	4 923
Total additional amount	29 189
Interest raised on future payments	5 694
	34 883

13. BUSINESS COMBINATION (continued)

13.1 Uni Education Group (Proprietary Limited) (continued)

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 an agreed upon after tax profit 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 an agreed upon after tax profit for the 12 months ending 31 December 2021. Should the after tax profit for the 24-month period ending 31 December 2021 exceed R15 562 129, an additional payment of up to R6 976 578 (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.

	Total R'000
Assets acquired and liabilities recognised at the date of acquisition	
Non-current assets	**5 213**
Property, plant and equipment	9
Intangible assets	5 184
Deferred tax asset	20
Current assets	**1 967**
Trade and other receivables	1 849
Cash and cash equivalents	118
Current liabilities	**(777)**
Trade and other payables	(777)
Total	**6 403**
The receivables acquired (principally trade receivables) in this transaction with a fair value of R1 849 703 for Chartall Business College is equivalent to the gross contractual amount. All contractual cash flows are expected to be collected.	
Net cash outflow on acquisition of subsidiaries	
Consideration to be paid in cash	34 883
Less: Cash and cash equivalent balances acquired	(118)
Total	**34 765**
Goodwill arising on acquisition	
Consideration transferred	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.

Impact of acquisitions on the results of the group

Revenue from the above acquisition amounted to R26 511 680 with profit after tax of R6 976 578 for the period under review.

Revenue from the above acquisition amounted to R1 445 658 and profit before tax of R637 037 for the period under review.

13. BUSINESS COMBINATION (continued)

13.2 Transman Proprietary Limited

2020	Date of acquisition	Portion of business acquired %	Consideration transferred R'000
Principal activity 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	–	–
The group acquired the workforce, business processes and client base of Transman Proprietary Limited "Transman". This business combination gives Workforce an increased customer base as well as bringing on board skilled and experienced staff.	–	–	–

	Total R'000
Consideration transferred	
No consideration was paid	–
Assets acquired and liabilities recognised at the date of acquisition	
Non-current assets	6 226
Intangible assets	8 647
Deferred tax asset	(2 421)

Intangible assets acquired represent 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.

13.3 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.

14. DIVIDENDS

No dividends were declared relating to the period under review.

15.1 SUBSEQUENT EVENT

2020	Date of acquisition	Portion of business acquired %	Consideration transferred R'000
Principal activity 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 users of the SAP Resource Planning software system.	1 January 2020	100	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. 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.	–	–	24 209

	Total R'000
Consideration transferred	
Cash	10 325
Contingent consideration	13 884
Total	24 209
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.

15.1 SUBSEQUENT EVENT (continued)

	Total R'000
Assets acquired and liabilities recognised at the date of acquisition	
Non-current assets	**5 252**
Property, plant and equipment	572
Intangible assets	4 680
Deferred tax asset	–
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)
Deferred tax liabilities	(1 310)
Total	**3 391**
The receivables acquired (principally trade receivables) in this transaction with a fair value of R5 350 375 for OIS is equivalent to the gross contractual amount. All contractual cash flows are expected to be collected.	
Net cash outflow on acquisition of subsidiaries	
Consideration to be paid in cash	24 209
Less: Cash and cash equivalent balances 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 COVID-19

Workforce has been successfully trading without any restriction (on balance) and has been able to adjust to the "new normal" at better levels compared to the previous period since October 2020. Management continues to actively engage, communicate and monitor the impact of Covid-19 on the businesses of the group, firstly to ensure that we discharge our social responsibility to slow down the progress of the virus across the spectrum of human capital we are responsible for, but also to ensure the sustainability of our business, given the possible negative impact on the economy.

Workforce continues to carefully monitor the Covid-19 impact on the business and the economy and has strategic plans in place for any foreseeable lockdown level.

Workforce has shown itself to be agile with the ability to adjust to various lockdown levels during the financial year under review. The group does not foresee another hard lockdown level as experienced during the second quarter of 2020 though. Should this happen, the business would be severely affected if unaccompanied by government assistance measures as seen in 2020.

During 2020 management focused on cash preservation as well as more robust management of our credit granting activities. Discussions with our funders is ongoing in this regard coupled with a focus on those debtors who might miss payments or start to build up a large portion of outstanding debt. We undertake to monitor this stringently.

Given the above, management feels the going concern assumption is valid and the group remains a going concern.

15.2 COVID-19 (continued)

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 direct results of the Covid-19 pandemic. In addition, the provision for doubtful debt has increased significantly as a result of the pandemic, which has further contributed to the decrease in trade receivables.

Trade and other payables

The increase in trade payable compared to the prior period is mainly due to a VAT deferral. Due to the group decision to conserve cash, management approached SARS and was granted a deferral on payments of VAT for the period March 2020 to July 2020. Workforce was able to negotiate an 11-month payment plan with SARS in respect of VAT payments subsequent to an initial six-month payment plan. The liability to SARS will be settled in equal instalments beginning September 2020.

16. COMPREHENSIVE INCOME FOR THE SECOND SIX MONTHS

	2020 R'000	2019 R'000	% increase/ (decrease)
Revenue	**1 504 933**	1 694 543	(11,2)
Cost of sales	**(1 151 165)**	(1 339 912)	(14,1)
Gross profit	**353 768**	354 631	(0,2)
Other income	**(489)**	1 402	(134,9)
Operating costs	**(266 875)**	(307 376)	(13,2)
Earnings before interest, taxation, depreciation and amortisation ("EBITDA")	**86 404**	48 657	77,6

* *The above numbers are not audited and were extracted from the management accounts.*

Although Covid-19 impacted the group's results, the second six months improved and produced EBITDA of R86 million.

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WP van Wyk

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I Ross (Independent)
S Thomas (Independent)
KN Vundla (Independent)
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