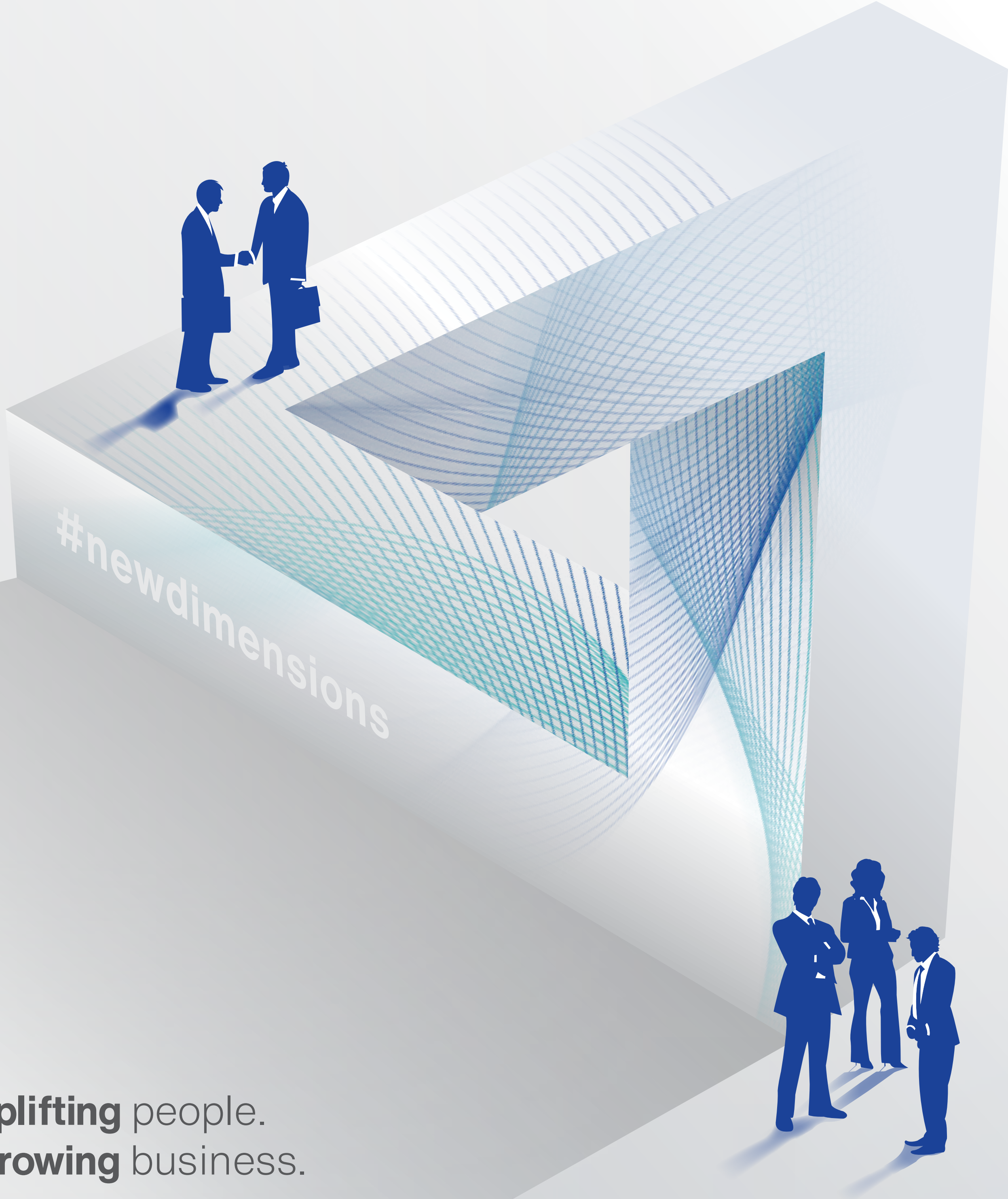
UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL RESULTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

workforce
HOLDINGS LIMITED



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 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 by expertise and technology. This is achieved through a cohesive working relationship with our clients and further enhanced through our specialisation in industry-specific placements.
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 much needed products and services into Africa.

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

Investment clusters

Brands and offerings

TRAINING AND EDUCATION

The Training and Education cluster, which operates in the fields of management training, learnerships, internships and specialised compliance training, expanded through the acquisition specialised training and education providers. We aim to improve trainees' employability and the 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 cluster 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.

HEALTHCARE

The Healthcare cluster has specific focus areas – the first is providing occupational healthcare services encompassing workplace employee health management, high-risk compliance and comprehensive corporate wellness solutions across all industry sectors. These services are delivered by 72 onsite clinics at various clients, all of which provide primary care, Covid-19 prevention and occupational healthcare; six walk-in occupational health centres nationally; and nine mobile units providing occupational health screening.

Employee wellness programmes ("EWPs") is a further focus area which considers a wide range of employee needs, providing wellness programmes that support both the organisation and its staff via a 24-hour call-centre and 300 affiliate psychologists/social workers nationally.

Primary healthcare services help reduce unnecessary time off work and loss of earnings that result from employees who need to travel to off-site primary healthcare facilities for the treatment of minor ailments or chronic conditions.

The cluster also provides a complete range of 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.

KEY NUMBERS

- Revenue increased by **21% to R1,9 billion** (2021: R1,6 billion)
- EBITDA improved by **19% to R68,7 million** (2021: R58,0 million)
- Cash generated from operations before net working capital changes increased to **R52,1 million** (2021: R49,6 million)
- EPS increased by **31% to 14,7 cents per share** (2021: 11,2 cents per share)
- Days sales outstanding 50 days (2021: 45 days)
- Investment cluster operations continue to trade, contend, and adapt exceptionally well to pressures in the operating environment, supported by decades of experience and the digitalisation of services
- **Level 1 B-BBEE** compliance maintained

COMMENTARY

INTRODUCTION

Workforce experienced a good first six months of the financial year with good growth from Staffing and Outsourcing and Healthcare, and a solid contribution from the Training and Education investment cluster. Despite being slightly negative at an EBITDA level, the Financial Services cluster is showing good signs of improvement.

Overall revenue improved by 21% and EBITDA by 19%. Operating costs increased by 21% due to a reorientation of information technology, continued digitisation and costs associated with additional resources to improve service delivery. This has been implemented to ensure a robust platform for future growth.

#NEWDIMENSIONS

The pandemic prompted us to reassess our diversification strategy and our areas of expertise and to apply these in more innovative ways to meet our customers' needs. We drew upon our exceptional resilience and company agility to maintain business continuity, matched by the care and passion for our employees and customers for which Workforce is widely known. This resulted in the group effectively supporting a path to sustained growth, ensuring our ongoing relevance to customers, aligning our products and services to their needs, and providing these on digital and online platforms.

The rapid development and adoption of these online platforms proved critical in our ability to continue delivering to customers and will continue to do so. As we continually monitor and learn from global trends, it is clear that we have to be flexible in allowing staff to balance remote and onsite work as our connectivity allows for remote collaboration and service delivery. Now, and in a post-pandemic era, Workforce will continue to play its part in addressing the much-needed skills development and human resourcing plan critical to the development of this country and the continent.

PERFORMANCE OF INVESTMENT CLUSTERS

Staffing and Outsourcing

The **Staffing and Outsourcing** investment cluster experienced a favourable period, ahead of budgetary expectations, supported by strong cash generation, a robust order book, and multiple brands in the market able to execute on opportunities supported by experienced management.

Revenue increased by 15% to R1,5 billion (2021: R1,3 billion), and EBITDA improved by 31% to R85,0 million (2021: R64,7 million). The cluster contributed 64% to the EBITDA of the group.

The Workforce Staffing brand delivered a superb result, particularly in supplying technical and engineering staff in the oil and gas and power generation sectors, on the back of delayed maintenance during the Covid-19 pandemic. The supply of staff in the e-commerce, green hydrogen and renewable energy sectors further boosted results.

Marketing and greater brand visibility have ensured recognition as experts in the industry.

The unfortunate delay in infrastructure development in South Africa is placing some pressure on certain businesses within the cluster.

Offices were opened in Zambia and Tanzania, taking the footprint in Africa to six countries and soon to be in Uganda and Rwanda.

Rewards were reaped on the back of investment into the management structures of the various business in the cluster. Cash generation and project profitability at branch levels are critical key performance indicators. Greater efficiency and streamlining of processes have resulted in fewer queries, better operations, and improved collections.

The next six months look promising as the multiple brands are well positioned and able to compete effectively in the market. Renewable energy projects, in particular, are expected to kick off in the second six months of the year. The stronger management structures support the efficiency and technology drive as well as opportunities for the promotion of talent from within, ensuring that expertise is retained within the cluster. Proactive investment continues to take place in allocating bursaries, career mapping, education and retraining of staff.

Recruitment

The placement of permanent staff is the most significant component of the **Recruitment** investment cluster. Coming out of the pandemic, the upper management placement market is buoyant, and the executive placement model capitalised on this.

The blue-collar and temporary employment services businesses have landed significant projects in the oil and gas and mining sectors. Given solid expertise across the cluster, it will continue to focus on these sectors in support of technical placements, accelerated by rising commodity pricing.

All brands are well positioned and have an enhanced platform to grow. Further digitalisation of the service offering to support customers is in place, as well as the ability to monitor and provide feedback to improve efficiencies. Operating expenses are controlled, cash flow is strong, and debtors are collected timeously. The culture across the cluster is very much aligned to performance, which should ensure a good second half.

Africa

There is a definitive sense of normality returning across **Africa**, particularly in terms of projects that were previously on hold and are now gaining momentum.

The successful pivot in Mauritius to industries that remained operational during the Covid-19 pandemic allowed for broader distribution of the Workforce offering.

In Mozambique, the Maputo office is again staffed and working on projects. Sadly the terrorist attacks in Northern Mozambique put the development of the gas fields project on hold. Given the enormity of this project, Workforce remains present and ready to supply services to this development when it is implemented.

Botswana and Namibia continue to grow steadily, supported by a wide array of well entrenched Workforce products and services.

Training and Education

Overall, this investment cluster performed well, producing improved revenue of 11%, while EBITDA remained somewhat flat. The cluster contributed 16% to the EBITDA of the group.

Training Force exceeded budget expectations as the economy opened and Covid-19 restrictions diminished. Training in the mining sector has been buoyant.

Given the ramifications of Covid-19 and general economic pressures, the Sector Education and Training Authorities ("SETAs") are collecting fewer levies and, as a result, not spending as much on sector training. This impacted the Chartall Business College operation. This spending is expected to return to normalised levels in the second part of the year.

An assessment of costs continues to take place to ensure a lean and robust structure. The business development drive is showing positive results. An investment in human capital has taken place to support expansion outside of South Africa, aimed at training in the mining sector. This, together with a greater focus on collaboration within the investment cluster and group, should boost additional opportunities.

The remaining six months of the financial year are expected to be tough, but the cluster is expected to perform better than in the first six months of the financial year.

Financial Services

During the period under review, the cluster implemented remedial action in the credit-granting part of the business, including implementing new business intelligence programmes to manage the granting of credit and collecting the debt. This has meant that the level of growth has been somewhat restricted by being more selective on customers. Still, stability in the operating environment resulted in a steady increase in the loan business.

The Financial Services investment cluster delivered an increase in revenue of 69% to R70,8 million (2021: R41,8 million) and the EBITDA loss reduced to R1,0 million (2021: loss of R9,3 million).

The employee benefits part of the cluster, including health and medical insurance, benefited from the GetSavvi acquisition and cemented the service offering in the market.

Looking forward, it is expected that the employee benefits segment of the Financial Services investment cluster is set to contribute more significantly to profitability. Potential bolt-on acquisitions in this space continue to be assessed.

Healthcare

The cluster experienced revenue growth of 32% compared to the previous interim period and an improved EBITDA delivery of 30% to R27,5 million (2021: R21,1 million). This is an EBITDA contribution to the group of 21%.

Workforce Healthcare, the part of the investment cluster that provides occupational healthcare services encompassing workplace employee health management, high-risk compliance, employee wellness programmes, primary healthcare services, and a range of healthcare personnel solutions, produced satisfactory results, despite many clients struggling with budgetary constraints.

A new Customer Relationship Management ("CRM") system was implemented and is fully functional, providing real-time data and comprehensive reporting, allowing for more effective sales management. The occupational healthcare division performed well and has good growth prospects, despite not quite at pre-Covid-19 levels yet. The resumption of economic activity resulted in corporate wellness days resuming, and with new clients secured, this service offering is expected to increase.

The coming six months will see the launch of a differentiated service project envisaged to assist clients even more with the service offering. There will be a continued investment into critical projects to create the digital platforms and data competencies for growth and differentiation.

In the part of the business dedicated to the supply of healthcare personnel, the successful appointment to supply staff to government healthcare has assisted in establishing a solid presence in Gauteng. Thankfully the decline of acute infections from Covid-19 has alleviated pressure on hospitals. Elective procedures and surgeries have returned, requiring the services of specialised nursing staff and doctors at pre-Covid-19 levels. Towards the end of the interim period, the investment cluster was awarded an outsourcing contract with a major hospital group in South Africa. Further extension of the footprint led to opening of an office in Gqeberha.

With the risk of economic inflation, the compliance and delivery of healthcare services tend to be more resilient during these periods. This investment cluster should recover well, supported by deep expertise, an ethos of consistent service delivery, ongoing organic growth, and a commitment to continue business development and marketing.

FINANCIAL PERFORMANCE

The interim financial period produced a 21% increase in revenue to R1,9 billion (2021: R1,6 billion), mainly as a result of stabilisation in the market after the devastating impacts of the pandemic and the strategies to support brand and product diversification, previously implemented.

The improvement in EBITDA of 19% to R68,7 million (2021: R57,9 million) indicates a much improved performance from the Staffing and Outsourcing and the Healthcare investment clusters and a solid contribution from the Training and Education cluster. The Financial Services cluster showed signs of improvement and was buoyed by the acquisition of GetSavvi Health.

The total comprehensive income for the period improved by 25% to R35,4 million, compared to R28,3 million in the previous period.

Furthermore, the special Employment Tax Incentive ("ETI") legislative rate was increased on 1 March 2022, and this delivered an additional R13,5 million (2022: R35,3 million and 2021: R21,8 million). In the previous year an additional R40 million ETI was claimable in terms of the 2021 emergency tax relief measures during the second half of the year, which will not be repeated in 2022 but will be partly recouped by the aforementioned increase in the ETI rate.

Headline earnings per share ("HEPS") for the period improved to 14,6 cents per share compared to 11,2 cents per share for the comparative period in 2021.

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 ETI tax credit amounts to R35,3 million (2021: R21,8 million). The ETI has been extended to 28 February 2029 whilst the 12H learnership allowance will be in place until 1 April 2024.

CASH

The business effectively generated cash flow from operations before net working capital of R52,1 million (2021: R49,6 million), ending the period with cash and cash equivalents of R52,1 million. Higher trading levels caused an increase in trade receivables to the amount of R156,2 million from the prior year. Days sales outstanding increased to 50 days (2021: 45 days). Workforce remains a going concern, with sufficient liquidity.

GEARING

Workforce has a debt-to-equity ratio of 0,47 compared to the previous year of 0,48. The slight decrease, compared to the previous year, is mainly due to the increase in working capital levels as a result of the normalisation of business activities.

CAPITAL ALLOCATION

The diversification of revenue and product streams through the cluster structure continues to be a focus of the group. In addition, the acquisition of cash generative businesses to bolster the clusters will continue. The effective use of funding, ensures that Workforce has the necessary cash resources to undertake acquisitive growth and to ensure clusters are at critical mass to make meaningful future contributions. This is supported by funders to close any gaps in funding that might arise.

No interim dividend was declared considering current economic circumstances.

ACQUISITIONS AND DIVERSIFICATION

The quick and robust adoption of technology to support digitisation to train, recruit, communicate and interact with customers and assignees has been of tremendous benefit to the group. Our technology is also continually enhanced to ensure ongoing relevance and efficiency to customers. Acquisitions remain a fundamental part of Workforce's growth and these, together with organic growth, will ensure that our theme of #newdimensions truly supports Workforce's future through ensuring relevance in the services we provide and in the products we supply.

OUTLOOK

Workforce remains cautious in respect of the remaining six months of the 2022 financial year as financial results will depend on the impact of the broader global economic factors.

Political instability and the failure of the Government to implement infrastructure are impacting the operating environment in South Africa. Forced power outages through persistent load shedding impact all our clients and have a knock-on effect on the Workforce investment clusters.

Encouragingly, the investment into renewable energy projects and the recent announcement by President Ramaphosa to fix the energy crisis are favourable for the economy and, in turn, for Workforce.

Given the size, capital strength and specialised sector knowledge built up over five decades, Workforce remains well positioned to deal with operational impacts supported largely by a diversified platform of operation.

On an ongoing basis, strategy and financial structures are reviewed and adapted. We continue to assess ways to optimally structure the financial and borrowing capital of the group.

With confidence, we can attest to our operational priorities being met on an ongoing basis:

OUR OPERATIONAL PRIORITIES

Organic growth	Manage costs and achieve operational efficiencies	Geographic growth
Deliver unique and innovative customer solutions	Human capital management	Grow into new territories
Protect and grow existing business	Use technology as a differentiator	Leadership development
Unlock the value of the client base through intra-group collaboration	Black talent management development	Youth employment and development

John Macey
Independent chairman

Ronny Katz
Chief executive officer

Willie van Wyk
Group financial director

18 August 2022

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2022

	Notes	As at 30 June 2022 R'000	As at 30 June 2021 R'000	As at 31 December 2021 R'000
Assets				
Non-current assets		**492 807**	510 264	494 700
Right-of-use assets		**41 939**	48 145	46 768
Property, plant and equipment		**28 639**	20 796	27 505
Goodwill		**253 412**	257 654	253 412
Intangible assets	5	**62 976**	79 044	68 986
Deferred tax assets		**99 458**	97 844	91 123
Financial assets		**6 383**	6 781	6 906
Current assets		**1 049 865**	880 889	962 546
Financial assets		**20 639**	–	21 154
Trade and other receivables		**967 157**	810 966	854 866
Consumables		**4 164**	4 262	3 917
Taxation		**5 837**	4 609	3 653
Cash and cash equivalents		**52 068**	61 052	78 956
Total assets		**1 542 672**	1 391 153	1 457 246
Equity and liabilities				
Equity		**869 538**	763 757	831 767
Equity attributable to owners of the parent		**861 383**	757 619	825 933
Stated capital		**234 051**	234 051	234 051
Treasury shares		**(13 563)**	(13 075)	(13 563)
Foreign exchange differences on translation of foreign operations		**(3 594)**	(1 796)	(3 507)
Equity-settled employee benefits reserve		**12 360**	6 784	9 995
Retained earnings		**632 129**	531 655	598 957
Non-controlling interests		**8 155**	6 138	5 834
Non-current liabilities		**66 437**	110 479	70 410
Financial liabilities		**30 546**	38 287	29 887
Lease liabilities		**32 229**	45 923	36 946
Deferred tax liabilities		**3 662**	26 269	3 577
Current liabilities		**606 697**	516 917	555 069
Trade and other payables		**243 638**	249 757	216 561
Financial liabilities		**345 708**	259 046	321 660
Lease liabilities		**17 351**	8 114	16 848
Total equity and liabilities		**1 542 672**	1 391 153	1 457 246

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2022

	Notes	**Six months to 30 June 2022 R'000**	Six months to 30 June 2021 R'000	Increase/ (decrease) %	Year to 31 December 2021 R'000
Revenue	7	**1 994 219**	1 645 032	21	3 503 798
Cost of sales		**(1 569 510)**	(1 293 593)	21	(2 708 511)
Gross profit		**424 709**	351 439	21	795 287
Other income		**458**	928	(51)	3 345
Operating costs		**(356 458)**	(294 452)	21	(645 991)
Earnings before interest, taxation, depreciation and amortisation		**68 709**	57 915	19	152 641
Fair value adjustments		**(1 541)**	2 285	(167)	5 212
Depreciation and amortisation		**(26 702)**	(28 107)	(5)	(55 772)
Finance income		**1 484**	972	53	1 537
Finance costs		**(14 792)**	(11 002)	34	(23 220)
Profit before taxation		**27 158**	22 063		80 398
Taxation credit	8	**8 335**	5 575		15 437
Profit after tax		**35 493**	27 638	28	95 835
Other comprehensive income/(loss) after tax					
Items that are reclassified to profit or loss:		**(87)**	648		(1 063)
Foreign translations loss		**(87)**	648		(1 063)
Total comprehensive income for the period		**35 406**	28 286		94 772
Profit for the period attributable to:					
Owners of the parent		**33 172**	25 178		93 679
Non-controlling interests		**2 321**	2 460		2 156
		35 493	27 638		95 835
Total comprehensive income attributable to:					
Owners of the parent		**33 085**	25 826		92 616
Non-controlling interests		**2 321**	2 460		2 156
		35 406	28 286		94 772
Earnings per share (cents per share)					
Basic	9	**14,7**	11,2		41,6

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2022

	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 2022	**234 051**	**(13 563)**	**(3 507)**	**9 995**	**598 957**	**825 933**	**5 834**	**831 767**
Recognition of share-based payments	**–**	**–**	**–**	**2 365**	**–**	**2 365**	**–**	**2 365**
Other comprehensive income relating to foreign currency translation reserve	**–**	**–**	**(87)**	**–**	**–**	**(87)**	**–**	**(87)**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**33 172**	**33 172**	**2 321**	**35 493**
Balance at 30 June 2022	**234 051**	**(13 563)**	**(3 594)**	**12 360**	**632 129**	**861 383**	**8 155**	**869 538**
for the six months ended 30 June 2021								
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 relating to foreign translation loss	–	–	648	–	–	648	–	648
Total comprehensive income 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 year ended 31 December 2021								
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	–	–	–	4 440	–	4 440	–	4 440
Buy-back of shares	–	(488)	–	–	–	(488)	–	(488)
Payment of dividends	–	–	–	–	(1 199)	(1 199)	–	(1 199)
Total comprehensive income for the year	–	–	(1 063)	–	93 679	92 616	2 156	94 772
Balance at 31 December 2021	234 051	(13 563)	(3 507)	9 995	598 957	825 933	5 834	831 767

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2022

	Notes	Six months to 30 June 2022 R'000	Six months to 30 June 2021 R'000	Year to 31 December 2021 R'000
Cash generated from operations before net working capital changes		**52 103**	49 636	118 043
Cash generated from operations	11.1	**64 621**	61 055	140 112
Finance income		**1 484**	972	1 537
Finance costs		**(11 903)**	(11 002)	(17 064)
Taxation paid		**(2 099)**	(1 389)	(6 542)
Increase in net working capital	11.2	**(85 461)**	(29 893)	(147 330)
Cash flows from operating activities		**(33 358)**	19 743	(29 287)
Cash flows from investing activities		**(6 977)**	(32 108)	(17 707)
Property, plant and equipment acquired		**(6 728)**	(3 335)	(15 606)
Loss/profit on disposal of property, plant and equipment		**(92)**	–	–
Dividends income		**–**	–	1 000
Intangible assets acquired	5	**(672)**	(7 751)	(1 708)
Loan advanced		**(34 698)**	–	(127 669)
Repayment of loans advanced		**35 213**	–	147 200
Payment of contingent consideration for business		**–**	(24 128)	(24 030)
Cash acquired on business combination		**–**	3 106	3 106
Cash flows from financing activities		**13 447**	(5 850)	46 683
Repayment of borrowings		**(10 167)**	(6 736)	(7 101)
Proceeds from borrowings		**47 286**	17 261	80 953
Payment of lease liabilities		**(9 719)**	(9 399)	(18 472)
Payment for buy-back of shares		**–**	–	(488)
Dividends paid		**–**	–	(1 199)
Payment of contingent consideration for business		**(13 953)**	(6 976)	(7 010)
Net change in cash and cash equivalents		**(26 888)**	(18 215)	(311)
Cash and cash equivalents at the beginning of the period		**78 956**	79 267	79 267
Cash and cash equivalents at the end of the period		**52 068**	61 052	78 956

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2022

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 22 August 2022.

2. EVENTS AFTER REPORTING DATE

No material events occurred between the reporting date and the date of approval of these unaudited condensed consolidated interim 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

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 2022 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. 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 2022						
Carrying amount at 1 January 2021	**107**	**11 793**	**51 019**	**5 842**	**223**	**68 984**
Additions of internally generated software	**–**	**–**	**4 000**	**–**	**–**	**4 000**
Additions	**–**	**–**	**640**	**–**	**32**	**672**
Amortisation	**(19)**	**(3 859)**	**(4 740)**	**(2 062)**	**–**	**(10 680)**
Carrying amount at 30 June 2022	**88**	**7 934**	**50 919**	**3 780**	**255**	**62 976**
Six months to 30 June 2021						
Carrying amount at 1 January 2021	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

5. INTANGIBLE ASSETS (CONTINUED)

	Brands R'000	Client relationships R'000	Computer software R'000	Training course accreditation R'000	Development costs R'000	Total R'000
Year to 31 December 2021						
Carrying amount at 1 January 2021	53	13 249	53 924	9 966	133	77 325
Additions	–	–	1 618	–	90	1 708
Additions of internally generated software	–	–	8 000	–	–	8 000
Acquired through business combination	91	7 308	–	–	–	7 399
Amortisation	(37)	(8 764)	(12 523)	(4 124)	–	(25 448)
Carrying amount at 31 December 2021	107	11 793	51 019	5 842	223	68 984

6. 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 and Education** – 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 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 and education 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 2022							
Segment revenues	1 541 527	175 104	70 820	206 461	307	–	1 994 219
Inter-segment revenues	(13 765)	(10 901)	–	(1 859)		26 525	–
Cost of sales	(1 295 715)	(81 583)	(29 051)	(156 433)	(6 728)	–	(1 569 510)
Inter-segment cost of sales	13 766	–	–	–	–	(13 766)	–
Gross profit	245 813	82 620	41 769	48 169	(6 421)	12 759	424 709
Operating costs	(161 024)	(71 694)	(42 736)	(22 820)	(58 184)	–	(356 458)
Inter-segment operating costs	–	10 900	–	1 859	–	(12 759)	–
Other income	192	8	–	258	–	–	458
EBITDA	84 981	21 834	(967)	27 466	(64 605)	–	68 709
Fair value adjustments	(676)	(307)	(558)	–	–	–	(1 541)
Depreciation and amortisation	(5 940)	(4 645)	(1 176)	(924)	(9 537)	(4 480)	(26 702)
Net finance costs	548	(159)	(475)	(246)	(12 976)	–	(13 308)
Segment profit/(loss) before tax	78 913	16 723	(3 176)	26 296	(87 118)	(4 480)	27 158

6. SEGMENT ANALYSIS (CONTINUED)

	Staffing and outsourcing R'000	Training and education R'000	Financial services R'000	Healthcare R'000	Shared services and central costs R'000	Eliminations R'000	Total R'000
Capital expenditure	**1 211**	**491**	**491**	**760**	**4 447**	**–**	**7 400**
Segment total assets	**614 336**	**255 106**	**283 636**	**122 237**	**508 890**	**(241 533)**	**1 542 672**
Segment total liabilities	**(132 030)**	**(80 629)**	**(49 612)**	**(25 963)**	**(402 864)**	**17 964**	**(673 134)**
Net segment assets/(liabilities)	**482 306**	**174 477**	**234 024**	**96 274**	**106 026**	**(223 569)**	**869 538**
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)	–
Gross profit	208 653	76 246	18 049	39 891	(632)	9 232	351 439
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
Year to December 2021							
Segment revenues	2 760 415	331 994	80 761	330 628	–	–	3 503 797
Inter-segment revenues	(27 309)	(17 341)	–	(3 809)	–	48 459	–
Cost of sales	(2 283 303)	(156 824)	(24 296)	(242 734)	(1 354)	–	(2 708 511)
Inter-segment cost of sales	27 309	–	–	–	–	(27 309)	–
Gross profit	477 112	157 829	56 465	84 085	(1 354)	21 150	795 287
Operating costs	(289 217)	(132 509)	(69 898)	(46 379)	(107 988)	–	(645 992)
Inter-segment operating costs	–	17 341	–	3 809	–	(21 150)	–
Other income	271	308	1 000	124	865	777	3 345
EBITDA	188 166	42 969	(12 433)	41 639	(108 477)	777	152 641
Fair value adjustments	(1 962)	(2 066)	(1 352)	–	10 592	–	5 212
Depreciation and amortisation	(10 931)	(7 914)	(2 118)	(1 793)	(23 012)	(10 004)	(55 772)
Finance income	245	197	723	7	365	–	1 537
Finance costs	(10 746)	(1 483)	(1 512)	(2 143)	(7 336)	–	(23 220)
Segment profit/(loss) before tax	164 772	31 703	(16 692)	37 710	(127 868)	(9 227)	80 398
Capital expenditure	2 636	5 964	1 345	1 491	5 969	7 308	24 713
Segment total assets	160 055	197 932	286 315	41 703	993 752	(222 511)	1 457 246
Segment total liabilities	(94 242)	(85 325)	(54 511)	(27 893)	(374 679)	11 171	(625 479)
Net segment assets/(liabilities)	65 813	112 607	231 804	13 810	619 073	(211 340)	831 767

Information about major customers

No single customers contributed 10% or more to the group's revenue in either 2022 or 2021.

7. REVENUE

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

Type of goods or services	Staffing and outsourcing R'000	Training and education R'000	Financial services R'000	Healthcare R'000	Total R'000
Six months to June 2022					
Staffing solutions	**1 532 554**	–	–	–	**1 532 554**
Placement fees	**7 551**	–	–	–	**7 551**
Payroll management	**1 422**	–	–	–	**1 422**
Accredited courses, education and training	–	**175 411**	–	–	**175 411**
Funeral cover and lending services	–	–	**70 820**	–	**70 820**
Medical cover, healthcare, wellness programmes and health risk assessments	–	–	–	**206 461**	**206 461**
	1 541 527	**175 411**	**70 820**	**206 461**	**1 994 219**
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
Year to December 2021					
Staffing solutions	2 724 333	–	–	–	2 724 333
Placement fees	36 082	–	–	–	36 082
Accredited courses, education and training	–	331 994	–	–	331 994
Funeral cover and lending services	–	–	47 421	–	80 761
Medical cover, healthcare, wellness programmes and health risk assessments	–	–	–	330 628	330 628
	2 760 415	331 994	47 421	330 628	3 470 358

8. 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 2024. 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.

9. EARNINGS PER SHARE

	Six months to 30 June 2022	Six months to 30 June 2021	Year to 31 December 2021
Basic (loss)/earnings per share			
Profit attributable to equity shareholders of the parent company (R'000)	**33 172**	25 178	93 679
Weighted average number of shares in issue ('000)	**224 996**	225 416	225 376
Diluted weighted average number of shares in issue ('000)	**225 996**	225 416	225 376
Basic (loss)/earnings per share (cents)	**14,7**	11,2	41,6
Diluted (loss)/earnings per share (cents)	**14,7**	11,2	41,6

Weighted average number of ordinary shares for the purpose of diluted earnings per share equals to the weighted average number of ordinary shares used in the calculation of basic earnings per share.

Headline earnings per share

	Gross Six months to 30 June 2022	Net of tax Six months to 30 June 2022	Gross Six months to 30 June 2021	Net of tax Six months to 30 June 2021	Gross Year to 31 December 2021	Net of tax Year to 31 December 2021
The (loss)/earnings used in the calculation of headline earnings per share are as follows:						
(Loss)/profit attributable to equity shareholders of parent company (R'000)		**33 172**		25 178		93 679
Adjusted for:						
– Gain/(loss) on disposal of property, plant and equipment (R'000)	**(92)**	**(66)**	–	–	(1 568)	(1 129)
– Loss on bargain purchase (R'000)	**–**	**–**	–	–	(777)	(777)
Total headline earnings (R'000)		**33 106**		25 178		91 773
Weighted average number of shares in issue ('000)		**225 996**		225 416		225 376
Headline earnings per share (cents)		**14,6**		11,2		40,7
Diluted headline earnings per share (cents)		**14,6**		11,2		40,7

10. DIVIDENDS

No dividend was declared relating to the period under review.

11. NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months to 30 June 2022 R'000	Six months to 30 June 2021 R'000	Year to 31 December 2021 R'000
11.1 Cash generated from operations			
Profit before taxation	**27 158**	22 063	80 398
Finance income	**(1 484)**	(972)	(1 537)
Dividend income	**–**	(777)	(1 000)
Finance costs	**11 903**	11 002	17 064
Adjustment for non-cash items:			
(Loss)/gain on disposal of property, plant and equipment	**–**	(97)	27
Depreciation and amortisation of non-financial assets	**26 702**	28 107	55 772
Gain on bargain purchase in respect of acquisition	**–**	–	(777)
Gain/(loss) arising on financial liability at fair value through profit or loss	**1 541**	(150)	(5 212)
Additions of internally generated software	**(4 000)**		(8 000)
Foreign exchange differences on translation of foreign operations	**(87)**	650	–
Expense recognised in respect of equity-settled share-based payment	**2 365**	1 229	4 440
Other non-cash items	**523**		(1 063)
	64 621	61 055	140 112
11.2 Working capital changes			
Change in trade and other receivables	**(112 291)**	(38 024)	(122 610)
Change in inventories	**(247)**	(355)	(10)
Change in trade payables	**27 077**	8 486	(24 710)
	(85 461)	(29 893)	(147 330)

Changes in liabilities arising from financing activities

	1 January 2022 R'000	**Cash flows R'000**	**Additions R'000**	**Non-cash flows R'000**	**Six months to June 2022 R'000**
Lease liabilities	**53 794**	**(9 719)**	**5 505**	**–**	**49 580**
Borrowings	**315 379**	**37 119**	**–**	**(37)**	**352 461**
Contingent consideration	**36 168**	**(13 953)**	**–**	**1 541**	**23 756**
	405 341	**13 447**	**5 505**	**1 504**	**425 834**

	1 January 2021 R'000	Cash flows R'000	Additions R'000	Non-cash flows R'000	Six months to June 2021 R'000
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 2021 R'000	Cash flows R'000	Additions R'000	Cash flows not included in financing activities R'000	Non-cash flows R'000	31 December 2021 R'000
Lease liabilities	61 751	(18 472)	10 515	–	–	53 794
Borrowings	246 778	(7 101)	80 953	–	(5 251)	315 379
Contingent consideration	28 055	(7 010)	49 859	(24 030)	(10 706)	36 168
	336 584	(32 583)	141 327	(24 030)	(13 505)	407 793

12. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

	Six months to 30 June 2022 R'000	Six months to 30 June 2021 R'000	Year to 31 December 2021 R'000
12.1 Financial assets			
Financial assets at amortised cost			
Trade and other receivables	**967 157**	796 848	859 782
Cash and cash equivalents	**52 068**	61 052	78 956
Financial assets at fair value through profit or loss			
Quoted equity shares	**4 569**	4 155	5 079
Investment in cell captive	**1 814**	2 626	1 827
Total	**1 025 608**	864 681	945 644
Total current	**1 019 225**	857 900	938 738
Total non-current	**6 383**	6 781	6 906
Financial liabilities			
Financial liabilities at amortised cost			
Trade and other payables	**243 638**	181 219	155 420
Lease liabilities	**49 580**	8 114	53 794
Loan on treasury shares	**8 226**	7 985	7 965
Financial liabilities at fair value through profit and loss			
Contingent consideration	**23 793**	38 753	36 168
Current	**4 157**	9 710	13 675
Non-current	**19 636**	29 043	22 493
Total	**325 237**	236 071	253 347
Total current	**297 375**	199 043	222 889
Total non-current	**27 862**	37 028	30 458

12.2 The following table provides the fair value measurement hierarchy of the group's financial assets and financial liabilities as at June 2022, June 2021 and December 2021

	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 2022				
Financial assets				
Quoted equity shares	**30 June 2022**	**4 569**	**4 569**	**–**
Cell captive	**30 June 2022**	**2 626**	**–**	**2 626**
Financial liabilities				
Contingent consideration relating to business combination	**30 June 2022**	**23 793**	**–**	**23 793**
As at 30 June 2021				
Financial assets				
Quoted equity shares	30 June 2021	4 155	4 155	–
Cell captive	30 June 2021	2 626		2 626
Financial liabilities				
Contingent consideration relating to business combination	30 June 2021	(38 753)	–	(38 753)

12. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

12.2 The following table provides the fair value measurement hierarchy of the group's financial assets and financial liabilities as at June 2022, June 2021 and December 2021 (continued)

	Date of valuation	Total R'000	Quoted prices in active markets Level 1 R'000	Significant unobservable inputs Level 3 R'000
As at 31 December 2021				
Financial assets				
Quoted equity shares	31 December 2021	5 079	5 079	–
Cell captive	31 December 2021	1 827	–	1 827
Financial liabilities				
Contingent consideration relating to business acquisition of The OpenSource Group	31 December 2021	(12 095)	–	(12 095)
Contingent consideration relating to business acquisition of The GetSavvi Group	31 December 2021	(10 398)	–	(10 398)

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 2022, December 2021 and June 2021 are shown below:

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 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.
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 R8 million.	Discount rate of 11,9% (2021: 11,9%) 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 R500 000 (December 2021: R1 715 670) (June 2021: R775 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 11,9% determined using the capital asset pricing model. Profitability adjusted profits with ranges of R2 million to R15 million.	Discount rate of 11,9% (2021: December 11,9%) (2021: June 17% 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 R300 000 (December 2021: R2 177 000) (June 2021: R1 556 775). A slight change in the probability adjusted profits in isolation would not result in a significant change in fair value.

12. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

12.3 Reconciliation of level 3 fair value measurements

	Investment in cell captive R'000	Contingent consideration R'000	Total R'000
As at 30 June 2022			
Opening balance	**1 827**	36 138	37 965
Gain/(loss) in profit or loss	**(13)**	1 541	1 528
Release on liability	**–**	(13 953)	(13 953)
Closing balance	**1 814**	23 756	25 570
Change in unrealised gains or losses included in profit or loss	**(13)**	1 541	1 528
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 31 December 2021			
Opening balance	**2 720**	28 055	30 775
Gain/(loss) in profit or loss	**(893)**	6 485	5 592
Additions	**–**	49 859	49 859
Release on liability	**–**	(48 261)	(48 261)
Closing balance	**1 827**	36 138	37 965
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.

13. RELATED PARTY TRANSACTIONS

13.1 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 2022 R'000	June 2021 R'000	December 2021 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.	**6 158**	7 283	10 197
Vunani Capital Proprietary Limited				
Relationship:	Shareholder with significant influence.			
Type and term of transaction	Designated advisor's fees paid in terms of service level agreement at a point in time.	**675**	328	453
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 advise on group's behalf at a point in time.	**112**	122	185

13. RELATED PARTY TRANSACTIONS (CONTINUED)

		June 2022 R'000	June 2021 R'000	December 2021 R'000
13.2 Related-party transactions				
Amounts due from/(payable to) related parties are as follows:				
Simgarvin Investments Proprietary Limited				
Relationship:	Company controlled by a director of the group.	**(8 226)**	–	(7 965)
Hunts Attorneys				
Relationship:	Director with an interest in a legal practice – RS Katz.	**162**	162	162

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

RS Katz
WP van Wyk

NON-EXECUTIVE DIRECTORS

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

COMPANY SECRETARY

S van Schalkwyk

DESIGNATED ADVISOR

Merchantec Capital

REGISTERED OFFICE

11 Wellington Road
Parktown
2193
PO Box 11137
Johannesburg
2000

BUSINESS ADDRESS

11 Wellington Road
Parktown
2193
PO Box 11137
Johannesburg
2000

TRANSFER SECRETARIES

JSE Investor Services
13th Floor
19 Ameshoff street
Braamfontein
2001

COMMERCIAL BANKERS

ABSA Business Bank

COMPANY REGISTRATION NUMBER

2006/018145/06

WEBSITE ADDRESS

www.workforce.co.za

workforce

HOLDINGS LIMITED

www.workforce.co.za