

Uplifting people.
Growing business.



Unaudited condensed interim financial results

for the six months ended 30 June 2018

Highlights

- ▲ Revenue **up 4,2%** to **R1,4 billion**
- ▲ Gross profit **up 6,7%** to **R333,9 million**
- ▲ Profit for the period **up 10,8%** to **R46,0 million**
- ▲ Headline earnings per share **up 8,1%** to **20,2 cps**
- ▲ Net asset value per share **up 13,2%** to **244 cps**
- ▲ Tangible net asset value per share **up 4,1%** to **137 cps**
- ▲ Net interest-bearing debt to total tangible assets **42%** (2017: 36%)
- ▶ **Acquisition** of Dyna to boost Training and Consulting segment

(Incorporated in the Republic of South Africa)

(Registration number 2006/018145/06) JSE code: WKF ISIN: ZAE000087847 ("Workforce" or "the group")

Condensed consolidated statement of comprehensive income

for the six months ended 30 June 2018

	Notes	Six months to 30 June 2018 R'000	Six months to 30 June 2017 R'000	Increase/ (decrease) %	Year to 31 December 2017 R'000
Revenue		1 422 920	1 366 109	4,2	2 807 890
Cost of sales		(1 089 030)	(1 053 104)	3,4	(2 172 461)
Gross profit		333 890	313 005	6,7	635 429
Operating costs		(265 593)	(243 945)	8,9	(511 855)
Fair value adjustments	20	(458)	(1 732)	100,0	10 365
Earnings before interest, taxation, depreciation and amortisation		67 839	67 328	0,8	133 939
Depreciation and amortisation of non-financial assets		(13 681)	(12 969)	5,5	(26 080)
Operating profit		54 158	54 359	(0,4)	107 859
Finance income		1 235	606	103,8	1 486
Finance costs	20	(12 358)	(11 870)	4,1	(23 360)
Profit before taxation		43 035	43 095	(0,1)	85 985
Taxation credit/(expense)	9	2 985	(1 574)	(289,6)	10 819
Profit for the period		46 020	41 521	10,8	96 804
Other comprehensive income/(loss) for the period		(46)	375		461
Fair value gains/(losses) on financial assets to be reclassified to profit or loss in subsequent periods		(46)	375		461
Total comprehensive income for the period		45 974	41 896		97 265
Profit for the period attributable to:					
Owners of the parent		45 865	42 461		98 542
Non-controlling interests		155	(940)		(1 738)
		46 020	41 521		96 804
Total comprehensive income attributable to:					
Owners of the parent		45 819	42 836		99 003
Non-controlling interests		155	(940)		(1 738)
		45 974	41 896		97 265
Earnings per share (cents)	10				
Basic		20,2	18,7		43,0
Diluted		19,7	18,3		41,2

Condensed consolidated statement of financial position

at 30 June 2018

	Notes	As at 30 June 2018 R'000	As at 30 June 2017 R'000	As at December 2017 R'000
Assets				
Non-current assets				
		334 355	247 732	251 912
Property, plant and equipment	5	22 268	19 784	23 559
Goodwill	6	192 889	141 166	134 480
Intangible assets	7	69 145	48 188	44 247
Deferred tax assets		41 247	35 510	44 251
Other financial assets		8 806	3 084	5 375
Current assets				
		762 364	679 753	744 246
Trade and other receivables		732 793	651 676	714 389
Inventories		4 989	3 294	3 546
Taxation		–	–	763
Cash and cash equivalents		24 582	24 783	25 548
Total assets				
		1 096 719	927 485	996 158
Equity and liabilities				
Equity				
		554 032	489 104	542 345
Share capital and premium		234 051	241 867	234 051
Treasury shares		(10 369)	(12 454)	(7 658)
Available-for-sale reserve		877	837	923
Equity-settled employee benefits reserve		5 975	5 901	6 793
Retained earnings		324 804	253 616	309 697
Equity attributable to owners of the parent		555 338	489 767	543 806
Non-controlling interests		(1 306)	(663)	(1 461)
Non-current liabilities				
		107 611	54 434	38 173
Financial liabilities		93 455	40 278	26 407
Deferred tax liabilities		14 156	14 156	11 766
Current liabilities				
		435 076	383 947	415 640
Trade and other payables		167 032	145 006	136 914
Financial liabilities		266 431	238 224	278 726
Taxation		1 613	717	–
Total equity and liabilities				
		1 096 719	927 485	996 158

Condensed consolidated statement of changes in equity

for the six months ended 30 June 2018

	Share capital and premium
For the six months ended 30 June 2018	
Balance at 1 January 2018	234 051
Recognition of share-based payments (refer to note 14.1)	–
Buy-back of shares (refer to note 19)	–
Recognition of IFRS 9 adjustment (refer to note 17)	–
Total comprehensive income for the period	–
Balance at 30 June 2018	234 051
For the six months ended 30 June 2017	
Balance at 1 January 2017	241 867
Recognition of share-based payments (refer to note 14.2)	–
Buy-back of shares (refer to note 19)	–
Total comprehensive income for the period	–
Balance at 30 June 2017	241 867
For the year ended 31 December 2017	
Balance at 1 January 2017	241 867
Recognition of share-based payments (refer to note 14.1)	(7 816)
Buy-back of shares (refer to note 19)	–
Issue of ordinary shares under employee share option plan	–
Total comprehensive income for the year	–
Balance at 31 December 2017	234 051

Attributable to owners of the parent

Treasury shares R'000	Available-for-sale reserve R'000	Equity-settled employee benefits reserve R'000	Retained earnings R'000	Total R'000	Non-controlling interest R'000	Total R'000
(7 658)	923	6 793	309 697	543 806	(1 461)	542 345
-	-	(818)	-	(818)	-	(818)
(2 711)	-	-	-	(2 711)	-	(2 711)
-	-	-	(30 758)	(30 758)	-	(30 758)
-	(46)	-	45 865	45 819	155	45 974
(10 369)	877	5 975	324 804	555 338	(1 306)	554 032
(9 330)	462	2 337	211 155	446 491	277	446 768
-	-	3 564	-	3 564	-	3 564
(3 124)	-	-	-	(3 124)	-	(3 124)
-	375	-	42 461	42 836	(940)	41 896
(12 454)	837	5 901	253 616	489 767	(663)	489 104
(9 330)	462	2 337	211 155	446 491	277	446 768
-	-	5 227	-	(2 589)	-	(2 589)
(3 124)	-	-	-	(3 124)	-	(3 124)
4 796	-	(771)	-	4 025	-	4 025
-	461	-	98 542	99 003	(1 738)	97 265
(7 658)	923	6 793	309 697	543 806	(1 461)	542 345

Condensed consolidated statement of cash flows

for the six months ended 30 June 2018

	Notes	Six months to 30 June 2018 R'000	Six months to 30 June 2017 R'000	Year to 31 December 2017 R'000
Cash generated from operations before net working capital changes		54 258	55 735	107 624
Cash generated from operations	14.1	63 639	66 340	128 860
Finance income		1 235	606	1 486
Finance costs		(12 358)	(11 163)	(23 360)
Taxation paid		1 742	(48)	638
Increase in net working capital	14.2	(22 239)	(10 405)	(91 706)
Cash flows from operating activities		32 019	45 330	15 918
Cash flows from investing activities		(16 315)	(46 461)	(60 710)
Property, plant and equipment acquired	5	(3 160)	(3 508)	(12 068)
Proceeds on disposal of property, plant and equipment		15	565	1 109
Dividends received		-	-	1 032
Intangible assets acquired	7	(2 536)	(2 989)	(7 645)
Net cash flow on acquisition of business	14.3	(10 634)	(40 529)	(43 138)
Cash flows from financing activities		(16 670)	(49 215)	(4 789)
(Decrease) in borrowings		(13 959)	(46 091)	(1 948)
Payment for buy-back of shares		(2 711)	(3 124)	(3 124)
Proceeds on disposal of shares		-	-	4 796
Settlement of equity-settled share-based payments		-	-	(4 513)
Net change in cash and cash equivalents		(966)	(50 346)	(49 581)
Cash and cash equivalents at the beginning of the period		25 548	75 129	75 129
Cash and cash equivalents at the end of the period		24 582	24 783	25 548

Notes to the condensed consolidated interim financial statements

1. Nature of operations and general information

Workforce Holdings Limited is a holding company. Its subsidiaries provide human capital solutions that include temporary employment services, permanent placement recruitment, training and skills development services, contractor on-boarding, health and wellness, disability solutions, financial services, lifestyle benefits and business process outsourcing solutions.

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

The unaudited condensed interim financial statements were approved for issue by the Board of Directors on 20 August 2018.

2. Basis of preparation and significant accounting policies

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

The unaudited condensed interim financial statements for the six months ended 30 June 2018 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 adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards effective as of 1 January 2018. The group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The group applies, for the first time, IFRS 9: *Financial Instruments* and IFRS 15: *Revenue from Contracts from Customers*. The adoption of IFRS 9: *Financial Instruments* resulted in an adjustment of the provision for doubtful debt and the opening retained income. As required by IAS 34, the nature and effect of these changes are disclosed further in note 17.

3. Events after reporting date

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

4. Auditor's responsibility

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

Notes to the condensed consolidated interim financial statements (continued)

	Motor vehicles R'000
5. Property, plant and equipment	
Six months to 30 June 2018	
Carrying amount at 1 January 2018	4 493
Additions	–
Disposals	–
Acquired through business combination	–
Depreciation	(831)
Carrying amount at 30 June 2018	3 662
Six months to 30 June 2017	
Carrying amount at 1 January 2017	3 693
Additions	–
Disposals	(281)
Acquired through business combination	417
Depreciation	(853)
Carrying amount at 30 June 2017	2 976
Year to 31 December 2017	
Carrying amount at 1 January 2017	3 693
Additions	3 137
Disposals	(317)
Acquired through business combination	421
Depreciation	(2 441)
Carrying amount at 31 December 2017	4 493

* The carrying value of land and buildings is immaterial hence no depreciation recognised.

Computer equipment R'000	Industrial equipment R'000	Office equipment R'000	Leasehold improvements R'000	Training manuals R'000	Land and buildings R'000	Total R'000
6 525	2 579	4 071	561	2 630	2 700	23 559
1 581	420	533	242	384	-	3 160
148	-	-	-	-	-	148
76	-	73	-	344	-	493
(2 091)	(663)	(649)	(72)	(786)	-	(5 092)
6 239	2 336	4 028	731	2 572	2 700*	22 268
4 140	1 872	2 827	130	2 653	2 700	18 015
1 793	568	670	220	257	-	3 508
-	-	-	-	-	-	(281)
719	686	985	-	-	-	2 807
(1 584)	(607)	(729)	(28)	(464)	-	(4 265)
5 068	2 519	3 753	322	2 446	2 700*	19 784
4 140	1 872	2 827	130	2 653	2 700	18 015
5 128	1 060	1 177	534	1 032	-	12 068
(22)	-	(24)	(6)	(147)	-	(516)
718	686	985	-	-	-	2 810
(3 439)	(1 039)	(894)	(97)	(908)	-	(8 818)
6 525	2 579	4 071	561	2 630	2 700*	23 559

Notes to the condensed consolidated interim financial statements (continued)

	Total R'000
6. Goodwill	
Six months to 30 June 2018	
Carrying amount at 1 January 2018	134 480
Acquired through business combination	58 409
Carrying amount at 30 June 2018	192 889
Six months to 30 June 2017	
Carrying amount at 1 January 2017	102 287
Acquired through business combination	38 879
Carrying amount at 30 June 2017	141 166
Year to 31 December 2017	
Carrying amount at 1 January 2017	102 287
Acquired through business combination	32 193
Carrying amount at 31 December 2017	134 480

	Computer software R'000	Brands R'000	Training course accredi- tations R'000	Client relation- ships R'000	Work in progress R'000	Total R'000
7. Intangible assets						
Six months to 30 June 2018						
Carrying amount at 1 January 2018	17 065	-	-	16 262	10 920	44 247
Additions	565	-	-	-	1 971	2 536
Acquired through business combination	3	-	20 276	10 672	-	30 951
Amortisation	(2 695)	-	(344)	(5 550)	-	(8 589)
Carrying amount at 30 June 2018	14 938	-	19 932	21 384	12 891	69 145
Six months to 30 June 2017						
Carrying amount at 1 January 2017	15 755	756	-	14 067	8 552	39 130
Additions	965	-	-	-	2 024	2 989
Acquired through business combination	2 761	-	-	12 012	-	14 773
Amortisation	(3 639)	(501)	-	(4 564)	-	(8 704)
Carrying amount at 30 June 2017	15 842	255	-	21 515	10 576	48 188

	Computer software R'000	Brands R'000	Training course accreditations R'000	Client relationships R'000	Work in progress R'000	Total R'000
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7. Intangible assets (continued)

Year to 31 December 2017

Carrying amount at 1 January 2017	15 755	756	–	14 067	8 552	39 130
Additions	5 277	–	–	–	2 368	7 645
Disposals	(39)	–	–	–	–	(39)
Acquired through business combination	2 761	–	–	12 012	–	14 773
Amortisation	(6 689)	(756)	–	(9 817)	–	(17 262)
Carrying amount at 31 December 2017	17 065	–	–	16 262	10 920	44 247

8. Segment analysis

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

- Staffing and Outsourcing: Comprising temporary employment services, permanent recruitment, executive search, payroll management, HR and IR consulting services, disability solutions, turnkey staffing solutions and business process outsourcing solutions;
- Training and Consulting: Comprising accredited short courses, skills programmes, full qualifications, learnerships, apprenticeships, internships, adult education training ("AET") and contractor on-boarding;
- Financial and Healthcare: Comprising funeral cover, hospital cover, day-to-day medical insurance, lending products, primary healthcare, occupational healthcare, employee wellness programmes and health risk assessments.

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

Notes to the condensed consolidated interim financial statements (continued)

8. Segment analysis (continued)

	Staffing and out- sourcing R'000	Training and consulting R'000	Financial and healthcare R'000	Shared services and central costs R'000	Consoli- dation entries R'000	Total R'000
Six months to June 2018						
Segment revenues	1 249 049	102 117	71 658	96	-	1 422 920
Inter-segment revenues	12 057	7 463	862	-	(20 382)	-
Cost of sales	(1 016 204)	(49 672)	(26 530)	3 376	-	(1 089 030)
Inter-segment cost of sales	(11 264)	-	-	-	11 264	-
Operating costs	(153 884)	(31 837)	(38 548)	(41 324)	-	(265 593)
Inter-segment operating costs	(792)	(7 464)	(862)	-	9 118	-
Fair value adjustments	-	(885)	450	(23)	-	(458)
EBITDA	78 962	19 722	7 030	(37 875)	-	67 839
Depreciation and amortisation of non-financial assets	(698)	(1 532)	(1 364)	(4 335)	(5 752)	(13 681)
Net finance costs	(340)	723	(978)	(10 528)	-	(11 123)
Segment profit/(loss) before tax	77 924	18 913	4 688	(52 738)	(5 752)	43 035
Capital expenditure	1 841	32 283	1 105	1 911	-	37 140
Segment total assets	538 686	130 681	229 608	401 383	(203 639)	1 096 719
Segment total liabilities	(124 037)	(96 867)	(274 697)	(115 915)	68 830	(542 686)
Net segment assets	414 649	33 814	(45 089)	285 468	(134 809)	554 033
Six months to June 2017						
Segment revenues	1 229 474	96 358	40 277	-	-	1 366 109
Inter-segment revenues	-	8 566	-	-	(8 566)	-
Cost of sales	(1 005 396)	(33 388)	(13 453)	(867)	-	(1 053 104)
Inter-segment cost of sales	-	(8 566)	-	-	8 566	-
Operating costs	(132 236)	(47 877)	(22 052)	(41 780)	-	(243 945)
Fair value adjustments	-	-	-	(1 732)	-	(1 732)
EBITDA	91 842	15 093	4 772	(44 379)	-	67 328
Depreciation and amortisation of non-financial assets	(1 817)	(2 308)	(968)	(3 010)	(4 866)	(12 969)
Net finance costs	197	186	(618)	(11 029)	-	(11 264)
Segment profit/(loss) before tax	90 222	12 971	3 186	(58 418)	(4 866)	43 095
Capital expenditure	1 892	19 156	304	2 725	-	24 077
Segment total assets	447 787	87 949	211 171	180 578	-	927 485
Segment total liabilities	(77 127)	(64 689)	(222 807)	(73 758)	-	(438 381)
Net segment assets/(liabilities)	370 660	23 260	(11 636)	106 820	-	489 104

8. Segment analysis (continued)

	Staffing and out- sourcing R'000	Training and consulting R'000	Financial and healthcare R'000	Shared services and central costs R'000	Consoli- dation entries R'000	Total R'000
Year to 31 December 2017						
Segment revenues	2 521 071	158 000	127 005	1 814	-	2 807 890
Inter-segment revenues	23 085	17 681	1 474	-	(42 240)	-
Cost of sales	(2 054 073)	(70 119)	(45 254)	(3 015)	-	(2 172 461)
Inter-segment cost of sales	(22 400)	(8 566)	-	-	30 966	-
Operating costs	(295 249)	(60 995)	(67 091)	(89 552)	-	(512 887)
Inter-segment operating costs	(685)	(9 115)	(1 474)	-	11 274	-
Fair value adjustments	-	(3 464)	2 205	11 624	-	10 365
Other income	-	92	940	-	-	1 032
EBITDA	171 749	23 514	17 805	(79 129)	-	133 939
Depreciation and amortisation of non-financial assets	(3 468)	(3 372)	(2 936)	(5 866)	(10 435)	(26 080)
Net finance costs	(98)	748	(857)	(21 667)	-	(21 874)
Segment profit/(loss) before tax	168 183	20 890	14 009	(106 662)	(10 435)	85 985
Capital expenditure	9 737	8 599	4 845	2 103	12 012	37 296
Segment total assets	519 019	110 711	244 849	312 728	(191 149)	996 158
Segment total liabilities	(111 240)	(88 885)	(272 158)	(21 992)	40 462	(453 813)
Net segment assets/(liabilities)	407 779	21 826	(27 309)	290 736	(150 687)	542 345

9. Taxation

The effective tax rate of (7%) (2017: 3,7%) for the period was based on the anticipated weighted average tax rate for the full financial year. The low tax rate is due to the tax deductions of learnership allowances as well as having earned tax-free employment incentive income.

Notes to the condensed consolidated interim financial statements (continued)

	Six months to 30 June 2018	Six months to 30 June 2017	Year to 31 December 2017
10. Earnings per share			
Basic earnings per share			
Profit attributable to equity shareholders of the parent company (R'000)	45 865	42 461	98 542
Weighted average number of shares in issue ('000)	227 230	226 979	229 336
Diluted weighted average number of shares in issue ('000)	232 008	232 370	238 973
Basic earnings per share (cents)	20,2	18,7	43,0
Diluted earnings per share (cents)	19,7	18,3	41,2
Headline earnings per share			
The earnings used in the calculation of headline earnings per share are as follows:			
Profit attributable to equity shareholders of the parent company (R'000)	45 865	42 461	98 542
Headline earnings adjustment (R'000)	(125)	(202)	(400)
– Gain on disposal of property, plant and equipment	(173)	(281)	(555)
– Tax effect of adjustments	48	79	155
Total headline earnings (R'000)	45 740	42 259	98 142
Weighted average number of shares in issue ('000)	227 230	226 979	229 336
Headline earnings per share (cents)	20,1	18,6	42,8
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:			
	227 230	226 979	229 336
Shares deemed to be issued for no consideration in respect of:			
Employee options	4 778	5 391	9 637
Weighted average number of ordinary shares in the calculation of diluted earnings per share	232 008	232 370	238 973

11. Dividends

No dividend was declared relating to the period under review.

12. Changes to the board

With effect from 1 July 2018:

- Philip Froom resigned as chief executive officer of the group;
- Mr Ronald Katz, executive chairman of the group, assumed the role of chief executive officer; and
- Mr John Macey, the head independent non-executive director, assumed the role of chairman of the group.

Subsequent to the reporting period, Ms Inshaaf Ross was appointed as a non-executive director with effect from 13 August 2018.

Furthermore, in compliance with paragraph 3.59 of the JSE Listings Requirements, shareholders are advised that Mr Mark Anderson has resigned as alternate director with immediate effect due to other responsibilities.

13. Other significant matter

The Employment Tax Incentive introduced in January 2014 incentivises companies that employ young job seekers. The effect of this incentive on the group's results has been substantial and has been treated as a reduction of the relevant wage expense in terms of IAS 20: *Accounting for government grants and disclosure of government assistance*. The Employment Tax Incentive income earned in for 2018 was R33 113 000 (2017: R29 714 000) (2017 December: R66 595 000). The ETI programme remains in place until February 2019. Early indications are that this programme is likely to continue subsequent to this proposed period-end.

	Six months to 30 June 2018 R'000	Six months to 30 June 2017 R'000	Year to 31 December 2017 R'000
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14. Notes to the condensed consolidated statement of cash flows

14.1 Cash generated from operations

Profit before taxation	43 035	43 095	85 985
Finance income	(1 235)	(606)	(1 486)
Finance costs	12 358	9 431	23 360
Dividends received	–	–	(1 032)
Adjustment for non-cash items:			
(Gain) on disposal of property, plant and equipment	(173)	(281)	(555)
Depreciation and amortisation of non-financial assets	13 681	12 969	26 080
(Loss)/gain arising on financial liability at fair value through profit or loss	458	1 732	(10 385)
(Reversal)/expense recognised in respect of cash-settled share-based payment	(3 667)	–	1 666
(Reversal)/expense recognised in respect of equity-settled share-based payment	(818)	–	5 227
	63 639	66 340	128 860

14.2 Working capital changes

Change in trade and other receivables	(20 553)	(26 874)	(100 527)
Change in trade and other receivables in respect of IFRS 9 adjustment (refer to note 17)	(30 758)	–	–
Change in inventories	(1 443)	(275)	(486)
Change in share-based payment	–	3 564	–
Change in trade payables	30 515	13 180	9 307
	(22 239)	(10 405)	(91 706)

14.3 Net cash flow on acquisition of business

Net cash inflow on the acquisition of subsidiaries – current year (refer to note 15.1.5)	5 239	–	–
Net cash outflow on the acquisition of subsidiaries relating to contingent consideration – prior year's acquisition	(15 873)	(40 529)	(43 138)
	(10 634)	(40 529)	(43 138)

Notes to the condensed consolidated interim financial statements (continued)

	Principal activity	Date of acquisition	Portion of business acquired %	Consideration transferred R'000	
15. Business combinations					
15.1.1 Business acquired					
	Dyna Training and Industrial Development (Pty) Ltd	This entity designs, conceptualises, formulates and produces training programmes and related materials and owns all the intellectual property that is licensed to the training providers within the Dyna group and Dyna franchises.	1 June 2018	100	31 170
	Dyna Training (Pty) Ltd	This entity is a franchise involved in marketing and selling the Dyna training programmes in the Western Cape territory.	1 June 2018	100	9 916
	Dyna Training Namibia (Pty) Ltd	This entity is a franchise involved in marketing and selling the Dyna training programmes in Namibia and the remaining Southern African Development Community territory, excluding South Africa.	1 June 2018	100	23 300
	NQ Plus Networks (Pty) Ltd	This entity undertakes all the training assessment and moderation functions for the Dyna group and its franchises as well as conducting training learnerships.	1 June 2018	100	16 632
					81 017

Workforce has obtained control of the above mentioned entities by acquiring 100% of the equity and voting rights in each of these entities. The Dyna group was acquired in order to grow Workforce's training segment by providing leadership, supervisory and management training programmes in addition to the existing training programmes currently offered.

15.1.2 Consideration to be transferred

	Dyna Industrial Training and Development R'000	Dyna Training R'000	Dyna Training Namibia R'000	NQ Plus Networks R'000	Total R'000
Cash	13 506	4 297	10 097	7 208	35 108
Contingent consideration arrangement	17 661	5 619	13 203	9 425	45 909
Total	31 167	9 917	23 301	16 633	81 017

15. Business combinations (continued)

15.1.3 *Contingent consideration*

	Dyna Industrial Training and Development R'000	Dyna Training R'000	Dyna Training Namibia R'000	NQ Plus Networks R'000	Total R'000
Legal and acquisition costs	199	117	159	204	679
Second payment	1 485	873	1 184	1 518	5 060
Third payment	2 659	1 563	2 120	2 718	9 060
Fourth payment	4 020	2 362	3 205	4 109	13 696
Top-up payment	5 111	3 004	4 075	5 224	17 414
Total additional amount	13 474	7 919	10 743	13 773	45 909
Less: Interest raised on future payments	(4 996)	(2 936)	(3 983)	(5 106)	(17 021)
	8 478	4 983	6 760	8 667	28 888

Under the contingent consideration arrangement for the Dyna group companies, Workforce is obliged to pay an amount of up to R5 060 886 subject to the Dyna group companies achieving an agreed upon operating profit for the 12 months ending 31 May 2019, an amount of up to R9 060 112 subject to the acquired Dyna group companies achieving an agreed upon operating profit for the 12 months ending 31 May 2020 and an amount of up to R13 695 622 subject to the acquired Dyna group companies achieving an agreed upon operating profit for the 12 months ending 31 May 2021. In the event that the aggregate operating profit for the three-year period exceeds R42 016 084, an additional payment of up to R17 413 968 may also be payable. All these payments are calculated using agreed upon formulae. The directors believe that these payments are probable.

15.1.4 *Assets acquired and liabilities recognised at the date of acquisition*

	Dyna Industrial Training and Development R'000	Dyna Training R'000	Dyna Training Namibia R'000	NQ Plus Networks R'000	Total R'000
Non-current assets					
Property, plant and equipment	377	74	9	33	493
Intangible assets	3	8 063	2 609	-	30 951
Deferred tax	20 279	129	-	93	382
Current assets					
Trade and other receivables	649	263	142	271	1 324
Loans and other receivables	-	-	-	1	1
Loans to shareholder	-	-	-	2	2
Taxation	-	-	420	-	420
Cash and cash equivalents	1 769	705	1 092	1 673	5 239

Notes to the condensed consolidated interim financial statements (continued)

15. Business combinations (continued)

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

	Dyna Industrial Training and Development R'000	Dyna Training R'000	Dyna Training Namibia R'000	NQ Plus Networks R'000	Total R'000
Non-current liabilities	-	-	-	-	-
Shareholders loans	(1 071)	(386)	(1 641)	(1 051)	(4 149)
Operating lease liabilities	-	(21)	-	-	(21)
Deferred tax	(5 774)	(2 258)	(731)	-	(8 762)
Current liabilities	-	-	-	-	-
Trade and other payables	(606)	(598)	(22)	(663)	(1 890)
Taxation	(860)	(165)	-	(289)	(1 314)
Provisions	-	-	-	(67)	(67)
Total	14 923	5 806	1 879	1	22 608

The receivables acquired (principally trade receivables) in this transaction with a fair value of R1 324 000 for Dyna group is equivalent to the gross contractual amount. All contractual cash flows are expected to be collected.

15.1.5 Net cash outflow on acquisition of subsidiaries

	Dyna Industrial Training and Development R'000	Dyna Training R'000	Dyna Training Namibia R'000	NQ Plus Networks R'000	Total R'000
Consideration paid in cash	13 506	4 297	10 097	7 208	35 108
Less: Cash and cash equivalent balance acquired	(1 769)	(705)	(1 092)	(1 673)	(5 239)
Total	11 737	3 593	9 005	5 535	29 869
Goodwill arising on acquisition					
Maximum consideration transferred	31 167	9 917	23 301	16 633	81 017
Less: Fair value of identifiable net assets	(14 923)	(5 806)	(1 879)	(1)	(22 608)
Goodwill arising on acquisition	16 245	4 111	21 422	16 632	58 409

Goodwill arose on the acquisition of the Dyna group because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included 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 Dyna group 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 R1 445 658 and profit before tax of R637 037. Had these business combinations been effective at 1 January 2018, the revenue of the group from operations would have been R10 210 785 and profit before tax would have been R3 624 541.

15. Business combinations (continued)

15.2 *Contingent consideration relating to acquisitions in previous years*

Refer to note 16.2.4 for details of changes in the recognised amounts of the contingent consideration liability.

16. Financial assets and financial liabilities

16.1.1 *Set out below is an overview of financial assets held by the group at 30 June 2018, 31 December 2017 and 30 June 2017*

	Six months to 30 June 2018 R'000	Six months to 30 June 2017 R'000	Year to 31 December 2017 R'000
Financial assets at amortised cost	757 375	676 459	739 937
Trade and other receivables	732 793	651 676	714 389
Cash and cash equivalents	24 582	24 783	25 848
Financial assets at fair value through other comprehensive income			
Quoted equity shares	2 724	2 684	2 770
Financial assets at fair value through profit and loss			
Investment in cell captive	6 082	400	2 605
Total	763 154	679 543	745 312
Total current	757 375	676 459	739 937
Total non-current	8 806	3 084	5 375

16.1.2 *Set out below is an overview of financial liabilities held by the group as at 30 June 2018, 31 December 2017 and 30 June 2017*

	Six months to 30 June 2018 R'000	Six months to 30 June 2017 R'000	Year to 31 December 2017 R'000
Financial liabilities at amortised cost			
Trade and other payables	167 032	145 006	136 914
Interest-bearing borrowings	243 266	196 753	258 037
Financial liabilities at fair value through profit or loss			
Contingent consideration	96 631	55 518	9 048
Loan on treasury shares	7 711	7 711	7 783
Total	418 009	404 988	402 734
Total current	421 185	364 710	385 375
Total non-current	93 455	40 278	26 407

16.2 *Fair value measurement*

Fair values

All financial assets and liabilities carried at amortised costs have carrying values which approximate their fair values.

Notes to the condensed consolidated interim financial statements (continued)

16. Financial assets and financial liabilities (continued)

16.2.2 The following table provides the fair value measurement hierarchy of the group's financial assets and financial liabilities as at 30 June 2018, 30 June 2017 and 31 December 2017

	Date of valuation	Total R'000	Quoted prices in active markets Level 1 R'000	Significant observable inputs Level 2 R'000	Significant unobservable inputs Level 3 R'000
As at 30 June 2018					
Financial assets					
Quoted equity shares	30 June 2018	2 724	2 724	–	–
Cell captive	30 June 2018	3 055	–	–	3 055
Financial liabilities					
Loan on treasury shares	30 June 2018	7 711	–	–	7 711
Contingent consideration relating to business combination	30 June 2018	96 631	–	–	96 631
As at 30 June 2017					
Financial assets					
Quoted equity shares	30 June 2017	2 684	2 684	–	–
Cell captive	30 June 2017	400	–	–	400
Financial liabilities					
Loan on treasury shares	30 June 2017	7 711	–	–	7 711
Contingent consideration relating to business combination	30 June 2017	55 518	–	–	55 518
As at 31 December 2017					
Financial assets					
Quoted equity shares	31 December 2017	2 770	2 770	–	–
Cell captive	31 December 2017	2 605	–	–	2 604
Financial liabilities					
Loan on treasury shares	31 December 2017	7 783	–	–	7 783
Contingent consideration relating to business combination	31 December 2017	9 048	–	–	9 048

16. Financial assets and financial liabilities (continued)

16.2.3 Description of significant unobservable inputs to valuation

The significant unobservable inputs used in the fair value measurements of financial instruments within level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at 30 June 2018 and 2017 are shown below:

	Valuation technique	Significant unobservable inputs	Sensitivity of the input to fair value
Financial assets			
Investment in cell captive	Net asset value is used as a valuation where the underlying assets and liabilities have been assessed to represent the fair value of the investment. Due to the nature of the investment, specifically the significant composition of liquid assets and liabilities, the net value is seen to be the most appropriate representation of fair value.	Fair values of the cell captive's underlying assets and liabilities.	A 2% increase or decrease in the fair value of the underlying assets and liabilities should not result in a change in the fair value.
Financial liabilities			
Contingent consideration relating to business combination	Discounted cash flow method was used to capture the present value of the expected future economic benefits that will flow out of the group. Discount rate of 17,5% determined using the capital asset pricing model.	Discount rate of 17,5% determined using the capital asset pricing model. Probability adjusted profits with ranges of R13 500 000 to R40 500 000 and R100 000 000 respectively.	A 2% increase or decrease in the discount rate used while holding all other variables constant would decrease/increase the fair value of the loan by R72 800 (2017: R66 600). A slight change in the probability adjusted profits in isolation would not result in a significant change in the fair value.
Treasury share loan	Discounted cash flow method was used to capture the present value of the expected future economic benefits that will flow out of the group.	A risk adjusted discount rate of 8,2%.	A 2% increase in the discount rate used while holding all other variables constant would decrease/increase the fair value of the loan by R200 000 (2017: R275 000).

Notes to the condensed consolidated interim financial statements (continued)

16. Financial assets and financial liabilities (continued)

16.2.4 Reconciliation of level 3 fair value measurements

	Investment in cell captive R'000	Treasury share loan R'000	Contingent consideration R'000	Total R'000
As at 30 June 2018				
Opening balance	2 605	(7 783)	(9 048)	(14 226)
Unrealised gain in profit or loss	450	72	3 066	3 588
Additions	-	-	(45 909)	(45 909)
Payments	-	-	(44 740)	(44 740)
Closing balance	3 055	(7 711)	(96 631)	(101 287)
As at 30 June 2017				
Opening balance	400	(7 711)	(17 406)	(24 717)
Unrealised gain in profit or loss	-	-	6 844	6 844
Additions	-	-	-	-
Payments	-	-	66 080	66 080
Closing balance	400	(7 711)	55 518	48 207
As at 31 December 2017				
Opening balance	400	(7 711)	(17 406)	(24 717)
Unrealised gain/(loss) in profit or loss	2 205	(72)	6 844	8 977
Additions	-	-	(21 326)	(21 326)
Payments	-	-	22 840	22 840
Closing balance	2 605	(7 783)	(9 048)	(14 226)

17. Changes to the group's accounting policies

IFRS 9: *Financial Instruments*

IFRS 9: *Financial Instruments* replaces IAS 39: *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The group applied prospectively, with the initial application date of 1 January 2018. The group has recognised the difference between the previous carrying amount of financial instruments at amortised cost after applying IFRS 9 at the carrying amount of financial assets at amortised cost at the beginning of the annual reporting period that includes the date of initial application in the opening retained earnings.

17. Changes to the group's accounting policies (continued)

IFRS 9: Financial Instruments (continued)

The effect of adopting IFRS 9 is as follows:

Impact on the statement of financial position (increase/(decrease) as at 1 January 2018:

	R'000
Assets	
Current assets	
Trade and other receivables	(30 758)
Equity	
Retained earnings	30 758

Except for certain trade receivables, under IFRS 9, the group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Under IFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss ("FVPL"), amortised cost, or fair value through other comprehensive income ("FVOCI"). The classification is based on two criteria: the group's business model for managing the assets; and whether the instruments' contractual cash flows represent "solely payments of principal and interest" on the principal amount outstanding (the "SPPI criterion").

The new classification and measurement of the group's debt financial assets are as follows:

Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the group's trade and other receivables, and loans included under other non-current financial assets.

Debt instruments at FVOCI, with gains or losses recycled to profit or loss on derecognition. Financial assets in this category are the group's quoted debt instruments that meet the SPPI criterion and are held within a business model both to collect cash flows and to sell. Under IAS 39, the group's quoted debt instruments were classified as available-for-sale ("AFS") financial assets.

Other financial assets are classified and subsequently measured, as follows:

Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition. This category only includes equity instruments, which the group intends to hold for the foreseeable future and which the group has irrevocably elected to so classify upon initial recognition or transition. The group classified its unquoted equity instruments as equity instruments at FVOCI. Equity instruments at FVOCI are not subject to an impairment assessment under IFRS 9. Under IAS 39, the group's unquoted equity instruments were classified as AFS financial assets.

Financial assets at FVPL comprise derivative instruments and quoted equity instruments which the group had not irrevocably elected, at initial recognition or transition, to classify at FVOCI. This category would also include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. Under IAS 39, the group's quoted equity securities were classified as AFS financial assets. Upon transition the AFS reserve relating to quoted equity securities, which had been previously recognised under accumulated OCI, was reclassified to retained earnings.

Notes to the condensed consolidated interim financial statements (continued)

17. Changes to the group's accounting policies (continued)

IFRS 9: Financial Instruments (continued)

The assessment of the group's business models was made as of the date of initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The accounting for the group's financial liabilities remains largely the same as it was under IAS 39. Similar to the requirements of IAS 39, IFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in the statement of profit or loss.

The adoption of IFRS 9 has fundamentally changed the group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss ("ECL") approach.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For contract assets and trade and other receivables, the group has applied the standards simplified approach and has calculated ECLs based on lifetime expected credit losses. The group has established a provision matrix that is based on the group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The group considers a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the group may also consider a financial asset to be in default when internal or external information indicates that the group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the group. The adoption of the ECL requirements of IFRS 9 resulted in increases in impairment allowances of the group's debt financial assets. The increase in allowance resulted in adjustment to retained earnings.

There is no impact on the statement of comprehensive income and statement of cash flows and the basic and diluted EPS.

18. Related parties

During the period, the group entered into related-party transactions in the ordinary course of business, the substance of which are similar to those disclosed in the group's annual financial statements for the year ended 31 December 2017.

	Six months to 30 June 2018 R'000	Six months to 30 June 2017 R'000	Year to 31 December 2017 R'000
19. Treasury shares			
Balance at the beginning of the year	(7 658)	(9 330)	(9 330)
Share buy-back	(2 711)	(3 124)	(3 124)
Shares distributed	-	-	4 796
	(10 369)	(12 454)	(7 658)

20. Reclassification of prior year presentation

Certain reclassifications have been made to the prior period's condensed consolidated statement of comprehensive income in order to enhance the comparability to the current period's financial results. The recognition of fair value adjustments have subsequently been disclosed separately in the condensed consolidated statement of comprehensive income, resulting in certain line items being reclassified.

	Previously reported 30 June 2017 R'000	Restated 30 June 2017 R'000	Adjustment R'000
Condensed consolidated statement of comprehensive income			
Fair value adjustments	–	1 732	(1 732)
Earnings before interest, taxation, depreciation and amortisation	69 060	67 328	1 732
Finance costs	13 602	11 870	1 732
Profit before taxation	43 095	43 095	–

Directors' commentary

Background and purpose

Workforce Holdings Limited is a diversified services group. Its subsidiaries provide human capital solutions to employers, covering all industry sectors. The group's services include temporary employment services, training and skills development, business process outsourcing, contractor on-boarding, permanent placement recruitment, healthcare, wellness, disability solutions, financial services and lifestyle benefits.

The six months under review

Our review of the group's trading in the first half of 2018 must be seen against the backdrop of very challenging factors that affected the macro, political and economic climate in South Africa.

The economy remained very strained in the post Zuma era with low economic growth, lack of foreign and local capital investments and the continued failure by government to proceed with investment in terms of the national development plan. These factors, accompanied by extremely low levels of business confidence, impacted our business results.

Nonetheless, we are pleased to report that despite these difficult circumstances, the group has been able to grow its earnings, albeit at a lower rate. We don't anticipate much change until such time as the 2019 election has taken place, after which we foresee greater investment in the economy and a revival of investment in infrastructure projects, to which our group is quite sensitive.

At a macro and micro level, the Constitutional Court ruling in the "Assign" case which was delivered in July 2018 was a landmark event for the temporary employment services ("TES") industry in South Africa. It clarified legislation which came into effect in 2015 and has given direction to all the stakeholders as to their respective rights and obligations in terms of the Labour Relations Act. It is our view that the Constitutional Court enunciated on the following key principles:

- (a) The affected worker becomes the deemed employee of the client after three months' employment through a TES for the purposes of the Labour Relations Act only. (This does not mean that employees become permanent or that there is a transfer of employment.);
- (b) Fixed term contracts are still legitimate;
- (c) The tripartite relationship between TES, client and employee continues to exist, as long as the client and the TES have an ongoing contractual relationship; and
- (d) The court recognised the importance of and the continued existence of the TES. There was no ban on labour brokers.

The results of this we believe to be a much more certain environment for all parties, and as a result of this certainty, we hope that there will be an increase of the use of our diversified service offering.

Two other factors in the make-up of our earnings which could be deemed to be unsustainable are the employment tax incentive ("ETI") and the tax breaks in terms of section 12H which is derived from learnerships.

The ETI is due to come to an end on 28 February 2019. In mitigation thereof, we can report that there is currently a draft bill before parliament, which must still be debated on, for the extension of the ETI for several years going forward.

In so far as the learnerships and their benefits under section 12H Income Tax Act are concerned, these were extended during the year for a further period of three years until the end of 31 March 2022, opening up a number of long-term opportunities for our training division.

Going forward we recognise that our group is an important employer of youth and a provider of training interventions with strong abilities and experience in this field. As such, we should be in a position to utilise the various government incentives that are aimed at enabling historically disadvantaged individuals to access the economy.

We are developing a revised organisational structure which is aimed at improving our depth of management and ensuring we recognise and develop the talent employed in our group and more fully utilise the skills that are not only within the group but also in the companies that we have acquired.

The structure consists of the appointment of an executive committee ("EXCO") reporting to the Chief Executive Officer and to the board. This EXCO will be responsible for strategies and their execution.

To reflect the changed nature of the group resulting from the diversification policies we have adopted over the past four years, we are forming clusters to manage the different business segments as well as their support. We are appointing cluster heads who will, together with their own executive committees, be fully responsible for the running and development of their cluster. They will report to the group CEO and the group EXCO.

This restructuring should be completed over the next few months.

A number of other highlights to mention relate to some of these clusters.

As outlined above, the staff outsourcing cluster experienced a difficult six months as result of legislative, political and economic factors and produced results that were disappointing.

Our training cluster showed a significant contribution to the group profits, as a result of both acquisitions and organic growth with good margins. We anticipate further strong performance going forward.

We concluded a new acquisition effective 1 June 2018, namely the Dyna Training Group. We will continue to look at other opportunities which have been offered to us. The Prisma and KBC acquisitions have been bedded down and are proving to be areas of continued growth and good investments.

Our financial services cluster has shown improved results with much more stability in collections. We also introduced new bespoke software programmes with good results. Because of the stability that we have attained we are looking forward to improved contributions to the group profits.

Our cluster of businesses in permanent recruitment and the white-collar arena, continues to struggle. The changes we have made hopefully will bear fruit in the second half of the year.

The medical and healthcare cluster returned good results in the group and we anticipate that their business model, which focuses on the provision of outsourced medical and nursing staff, employee health and wellness programmes and occupational healthcare and screening, could show significant growth over the next number of years.

Africa development

We strongly believe that our product range across all the clusters will find significant market share in a number of southern African countries and Mauritius. With this in mind, we have in the last few years commenced operations in Mozambique, Botswana, Namibia, Zimbabwe and Mauritius. Whilst to date we have not shown any return on this investment, we are seeing several orders coming through which we are confident will turn into tangible results in the short term.

Finally, we are also looking at the structure of our group support services and to achieve a more streamlined, efficient and cost-effective solution.

Financial performance

Revenue grew by a modest 4,2%, mostly from organic growth. The relatively low growth can be attributed to limited economic growth across the country. Gross profit margin increased by 6,7%, representing gross profit of 23,5% (2017: 22,9%). The increase is mainly due to the higher margin training segment, which now carries a more substantial weighting relative to the overall group results.

Operating costs increased by 8,9% to R265,6 million (2017: R243,9 million). The difference is largely the result of a substantial increase in the doubtful debt provision charge to the income statement due primarily to IAS 36, which was an incurred loss model, being replaced by IFRS 9, which is a forward-looking expected credit loss approach. The bad debt charge in 2017 was unusually low. Normalising for the doubtful debt effect, operating costs grew by 4,2%.

EBITDA increased slightly by 0,8% to R67,8 million (2017: R67,3 million).

Directors' commentary (continued)

Depreciation and amortisation increased by 5,5% to R13,7 million (2017: R12,9 million), R6,2 million (2017: R5,6 million) of which is attributable to the amortisation of intangible assets created as a result of the seven acquisitions made since the 2015 financial year.

Net finance cost remained relatively flat at R11,1 million (2017: R11,3 million).

Taxation

The group continued to benefit from the government's employment tax incentive programme ("ETI") as well as from learnership allowances in terms of section 12H of the Income Tax Act, 1962 (Act 58 of 1962). The employment tax incentive remains a significant contributor to the financial results. The ETI programme, which focuses on employment of youth for new projects, remains in place until February 2019. Early indications are that this programme is likely to continue subsequent to this proposed period end. These two items are the reason for the taxation credit of R3,0 million, as published.

Net result

The net result is an increase of 8% in earnings per share to 20,2 cents per share (2017: 18,7 cents per share).

Cash

Cash flows from operating activities for the period under review amounted to R32,0 million (2017: R45,3 million). The difference to the comparative period is due to timing differences in cash flows. Days sales outstanding ("DSO") is calculated at 52 days compared to the December 2017 DSO of 53 days.

Balance sheet and gearing

The substantial increase in goodwill and property, plant and equipment as well as non-current liabilities is mainly attributed to the acquisition of the Dyna group of companies as described in the condensed consolidated interim financial statements. The increase in the net interest-bearing debt to total asset ratio of 32% (2017: 28%) is also attributable to this event.

Segmental review

Staffing and Outsourcing segment

Turnover in this segment increased by 2,6%, with EBITDA decreasing 14,1% to R78,9 million (2017: R91,8 million). The segment was negatively affected by the uncertainty regarding the Constitutional Court judgment and overall poor economic growth. It was further impacted by an increased debtors' impairment due to the implementation of IFRS 9, as well as having had a low base in the preceding year.

The outlook for the segment is that with clarity now provided on the legislative front, real efforts are currently being made to invigorate sales.

Training and Consulting segment

This segment experienced good improvement, with turnover increasing by 4,5% and EBITDA by 29,11% to R19,7 million (2017: R15,1 million). This growth was almost exclusively organic as Dyna was only acquired on 1 June 2018, and thus had a limited impact on the results.

Our outlook is very bullish on this segment and Workforce endeavours to further enhance it through organic and acquisitive growth.

Financial and Healthcare segment

This segment experienced excellent growth, with revenue increasing by 80,1%. EBITDA increased by 47,3% to R7,0 million (2017: R4,7 million) during the six months under review.

The outlook for the segment remains positive with a few significant contracts having been closed. The operationalisation of potentially lucrative deals recently closed in the rest of Africa is a key priority for the coming six months.

Business combinations

Effective 1 June 2018, Workforce obtained control of the Dyna group of companies ("Dyna"), an award-winning provider of management and supervisory skills development programmes and learnerships throughout southern Africa. The maximum purchase price for the acquisition was a cash amount of R79,4 million.

The effect on basic earnings per share of all acquisitions made since 2015 is still limited, due to IFRS entries necessitated by the acquisition events. This effect will start dissipating as from 2019 and start contributing significantly to basic earnings per share as well as net cash flows.

Workforce is endeavouring to acquire more businesses in the foreseeable future, expanding its core value offering and contributing further to its diversification efforts. The entrepreneurs who join Workforce because of these acquisitions are having a significantly positive impact on our culture and talent pool.

Post balance sheet events

During August 2018, our existing bankers granted a R30 million loan towards the acquisition of Dyna, as well as an additional amount of R30 million to fund the expansion of our financial loan business.

Board of directors

The group and Mr Philip Froom, reached an amicable separation agreement effective 30 June 2018. We wish to thank Mr Froom for his valued contribution to the group and wish him every success with his future endeavours.

With effect from 1 July 2018, Mr Ronald (Ronny) Katz, the previous executive chairman of the group, assumed the role of chief executive officer.

Accordingly, Mr John Macey, the previous lead independent non-executive director, became chairman effective 1 July 2018 and Ms Kyansambo Vundla then became chairperson of the audit and risk committee effective 1 July 2018. With effect from 13 August 2018, Ms Inshaaf Ross was appointed as a non-executive director and a member of the social and ethics committee on 13 August 2018, representing a major shareholder on the board.

In compliance with paragraph 3.59 of the Listings Requirements on JSE Limited, the board of directors of Workforce ("the board"), hereby notifies its shareholders that Mr Mark Anderson resigned as alternate director with immediate effect due to other responsibilities.

Appreciation

We take this opportunity to extend our appreciation to all our stakeholders, including our shareholders, clients and suppliers.

We thank the executive and non-executive directors for the work they have put in to the affairs of the group. We greatly value their commitment and advice.

Appreciation is also extended to the entire management team and staff of all the operating divisions as well as their contractors. They are the core of all activities and successes within Workforce Holdings and we thank them for their ongoing resilience and dedication in making Workforce a great place to be.

Finally, we thank our professional advisors for their advice and support to the affairs of the group.

For and on behalf of the board

John Macey
Chairman

Ronny Katz
CEO

Willie van Wyk
Financial Director

Johannesburg
22 August 2018

Executive directors

RS Katz, WP van Wyk

Non-executive directors

J Macey (chairman), K Vundla, S Thomas, S Naidoo, I Ross

Designated adviser

Merchantec Capital

Company secretary

S van Schalkwyk

Registered office

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

Transfer secretaries

Link Market Services South Africa Proprietary Limited
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