



**workforce**  
HOLDINGS LIMITED

**Integrated annual report 2018**

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

# Scope and boundary

We are pleased to present our 2018 integrated annual report. The boundary of our report is the financial reporting entity of Workforce Holdings Limited and its subsidiaries ("Workforce" or "the group") and covers the period from 1 January 2018 to 31 December 2018.

## This is our primary report to our shareholders and other stakeholders



Our report aims to provide our stakeholders with balanced, accurate and understandable information about our financial, economic, social and environmental performance during the reporting period on matters material to our business and our ability to create and sustain value. The process we used in determining and applying materiality is described on page 12.

In preparing our integrated annual report, we were guided by the International Integrated Reporting Framework ("IIRC"), published by the International Integrated Reporting Council in December 2013. Reporting frameworks applied and complied with include JSE Listings Requirements, the King Report on Corporate Governance in South Africa ("King IV") and the Companies Act 2008 (Act 71 of 2008), as amended ("Companies Act"). The audited financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS").

### Assurances

The group's annual financial statements were independently audited and assured by our external auditors, Crowe JHB. Broad-based black economic empowerment ("B-BBEE") contributor levels for Workforce was verified by Siyandisa, a SANAS approved external verification agency.

### Forward-looking statements

This report contains forward-looking statements which are based on assumptions and best estimates made by

management with respect to the group's performance in the future. Such statements are, by their nature, subject to risks and uncertainties which may result in the group's actual performance in the future being different from that expressed or implied in any forward-looking statements. These statements have not been audited by the group's external auditors. Workforce neither accepts any responsibility for any loss arising from the use of information contained in this report, nor undertakes to publicly update or revise any of its forward-looking statements.

### Board approval

The Workforce board of directors ("the board") acknowledges its responsibility to ensure the integrity of the integrated annual report for the 2018 financial year, and in the board's opinion, it addresses all material issues and presents fairly the group's integrated performance and its impacts.

**John Macey**  
Independent  
chairman

**Ronny Katz**  
Chief  
executive  
officer

**Willie van Wyk**  
Financial  
director

26 March 2019

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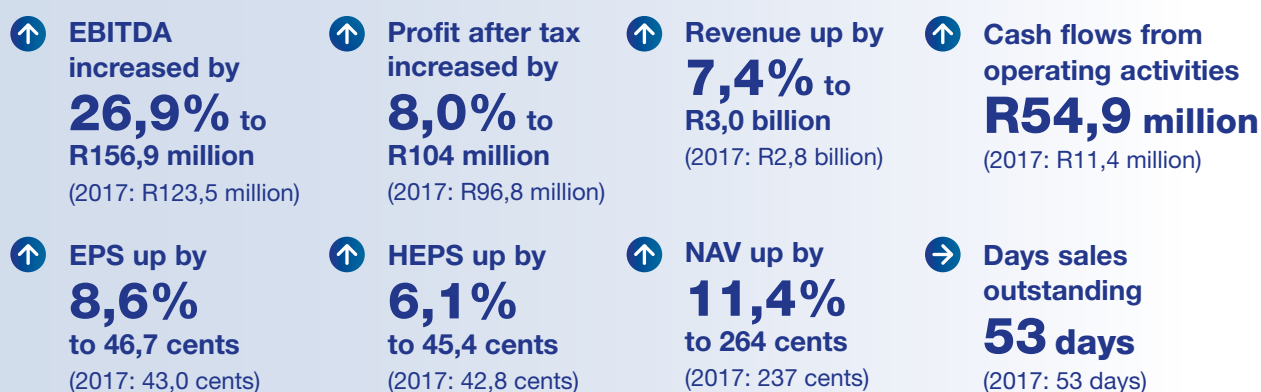
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## Summary of our performance

### Financial



### Acquisition during 2018 Dyna group of companies

### Social

#### B-BBEE Level 4

(Workforce Holdings Limited)

**51%**

Black ownership

**30%**

Black women ownership



People employed during 2018:

**79 894** (2017: 78 592)

**1 110**

unemployed people trained on learnership programmes



**99%**

learners were black

**96%**

learners were "youth"

### Our people



Permanent staff employed

**1 268**

**64%** of our permanent staff are women

**69%** of our permanent staff are from designated groups

**42%** of our permanent staff are youth



#workforcewellness

Workforce Wellness programme

**1 518** visits to the clinic

**287** voluntary health risk assessments

## Workforce in numbers

**37 603**

average weekly  
assignees

**76%**

youth employed

**1 600**

number of clients

**135 344**

people trained

**128 499**

people on short courses

**2 679**

people on skills programmes

**20**

training centres

**44**

registered learnerships

**3 967**

learners on learnership  
programmes

**122**

branches in South Africa

**38 231**

funeral and medical policies

**79 798**

funeral policy lives covered

**94 690**

medical examinations  
conducted

**45 306**

lives covered through  
EAP\* call centre

Operating in **4** countries

\* Employee Assistance Programme.

## Investment case

**47 years** of operating experience in the South African marketplace, shows stability

Well defined **diversified offering** including staffing, recruitment, outsourcing, training, healthcare, wellness, financial services and lifestyle benefits

Experience and ability to make **meaningful and sustainable** differences to people's lives

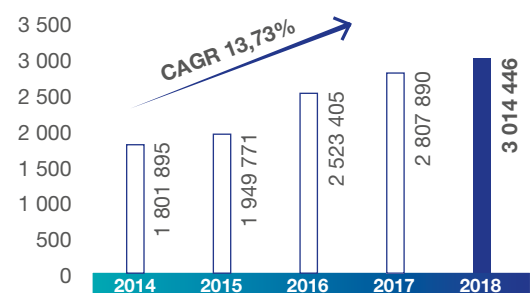
Diversification ensures returns **PE ratio – 3,3**

Proven **entrepreneurial culture** with the ability to ensure brands which join Workforce are supported by head office

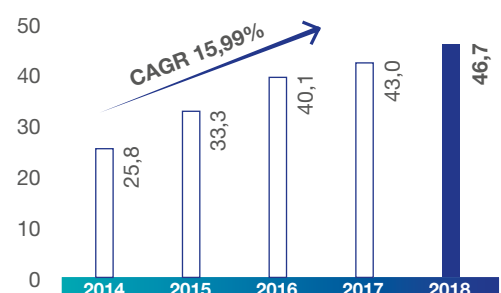
Listed on the JSE Securities Exchange for **13 years**

Sustainable level of **organic growth** and an improved EBITDA contribution across the segments

Revenue (R'000)



Earnings per share (cents)



# Chairman's review

What is extremely pleasing is that this set of financial results shows a sustainable level of organic growth coming through and an improved EBITDA contribution across our segments.



**John Macey**  
Independent chairman

I welcome reporting to our shareholders on yet another outstanding performance from the Workforce group. Having served on the Workforce board for ten years, I became chairman on 1 July 2018.

## The foundation is in place

Workforce is a leader in its field with a history that can be traced back to 1972. The group has a strong commitment to its core areas of competence yet is also cognisant of the need to identify and move into new areas of growth. The past three years, in particular, has seen the group reinvent itself in order to remain relevant in the markets it serves and ensures sustainability into the future. To this end, strategic acquisitions have assisted in diversification, ensuring that Workforce fulfils its purpose to make meaningful and sustainable differences to people's lives by providing employment, training, healthcare, wellness, financial services and lifestyle benefits to individuals and their employers across diverse industries.

## Acquisitions to further diversify remain a focus area

In the previous financial year, Workforce successfully acquired and integrated the acquisitions of the KBC group and Oxyon Human Capital Solutions. During this financial year the acquisition and integration of the Dyna group of companies was concluded. The acquisition broadened our provision of

training programmes and offerings, in line with our stated growth strategy, by bringing a profitable, market leading business with both a highly regarded brand and a capable, entrepreneurial management team into the group.

## Organic growth comes through

It is Workforce's stated intention to continue to look towards acquisitions to enhance diversification. What is extremely pleasing is that this set of financial results also shows a sustainable level of organic growth coming through and an improved EBITDA contribution across segments. This is elaborated on and explained in more detail in the financial director's report on pages 24 and 25 of this integrated annual report.

## Transformation, staff relations and ethics

Transformation continues to be of paramount importance to the group and our stakeholders. The group achieved a Level 4 B-BBEE recognition rating on the revised codes of good practice during the reporting period. Individual scorecard element performance is outlined on pages 35 of this report.

It is critical for management to ensure excellent staff relations with the 1 268 permanent staff members that execute and implement the Workforce strategy. This ensures high levels of service delivery, knowledge of labour practice and the

intricacies involved in training. Across our extensive branch network, more than 60% of our staff are women. The management of Workforce spend a large amount of time with staff members ensuring that requirements to perform at their peak are in place and that they are equipped with the necessary tools to ensure the high standard of service Workforce is known for. One example is encouraging employee health and wellness through the #WorkforceWellness programme, which includes physical fitness and physical health (supported by an onsite clinic at our head office which is open daily); and emotional wellness (psycho-social support and counselling available at our head office weekly).

The Workforce group has an ethics-based culture in place, meaning that we constantly reinforce our corporate values. The group has zero tolerance towards fraud and inappropriate conduct and encourages reporting through the independently operated Whistleblower line. During the reporting period, 38 protected disclosures were received: 28 were fully investigated and appropriate disciplinary or corrective action was taken and seven were still being investigated as at the financial year-end. Three disclosures were not investigated due to insufficient information received from anonymous callers.

### Enhancements to the board of directors

At the end of June 2018, Philip Froom resigned as chief executive officer and executive director to pursue personal interests. On 1 July 2018, Ronald (Ronny) Katz, the then executive chairman, assumed the role of chief executive

officer. There could be no better leader for the group with Ronny having more than four decades of intimate experience in the industry and with the ability to successfully navigate legislative changes. As a board we are confident that Ronny is the right person to steer the group towards diversification of the offering to ensure a sustainable future.

In August 2018, Inshaaf Ross was appointed as a non-executive director and a member of the social and ethics committee; and in November a member of the remuneration and nominations committee. For further information please see Inshaaf's resumé on page 51.

### Appreciation and thanks

My sincere thanks are extended to my fellow board members for their active input and wise consideration in deliberations. Furthermore, these results could not have been achieved without dedicated senior management and all the Workforce staff, working as a collaborative unit. Lastly, I extend my thanks to all our customers, staff, shareholders and stakeholders for your continued support.



**John Macey**  
*Independent chairman*

26 March 2019

The past three years, in particular, has seen the group reinvent itself in order to remain relevant in the markets it serves and ensures sustainability into the future.

# THIS IS WORKFORCE

## Who we are

Workforce Holdings Limited is a large diversified services company with various subsidiaries that provide an extensive range of innovative, integrated and diversified human capital solutions to all industry sectors in southern Africa. Workforce was founded by Ronny Katz in 1972 and listed on the JSE AltX in 2006.

### What we do

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

### What differentiates us

**Entrepreneurial culture**

**Innovative service solutions**

**Diversified and integrated business model**

**Strong customer relationships**

**Extensive footprint**

**Our people – Intellectual capital | depth of management | committed workforce**

### Our purpose

To make a meaningful and sustainable difference in people's lives – to uplift them, to find employment for them and empower them with the appropriate training, healthcare, financial services and lifestyle benefits.

### Our vision

To be a progressive investment holding company managing investments in businesses that provide innovative, integrated and diversified human capital solutions globally.

Our business is structured for value creation with considerable emphasis placed on endeavouring to ensure that our diverse business portfolio is managed off a profitable and cash-generative basis to ensure the sustainable growth of the group. During the last quarter of the 2018, we realigned our businesses into clusters and appointed cluster executives to drive accelerated growth and diversification within each of the clusters.

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

Human capital plays an integral role within our business model, with people featuring at the core of our value creation process. By achieving our strategic business goals and pursuing our purpose of making a difference in people's lives, it translates into shared value for our organisation and our stakeholders while achieving meaningful social contributions such as increased levels of employment.

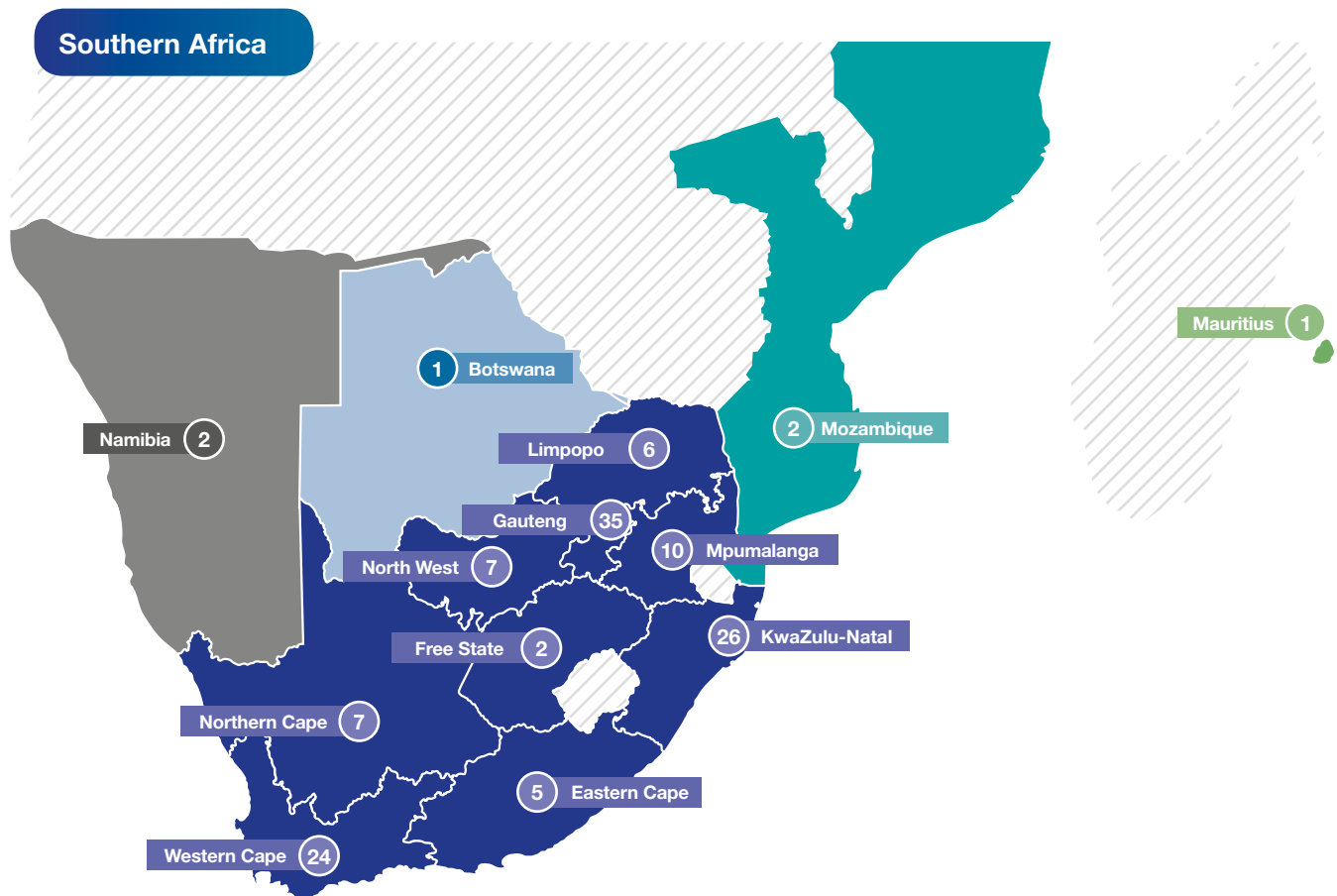
# Our structure

During the reporting period we realigned our diversification and growth strategy and formed clusters of the different business activities within the group and placed each cluster under the leadership of a cluster executive. This structure will play an important role in enabling us to harness inter-group synergies as well as diversify into new markets and territories.



## Where we operate

The group operates predominately in South Africa, boasting an extensive national branch infrastructure that extends to all the provinces of the country and currently comprises 122 branches. During the past two years, we have entrenched our presence in a number of neighbouring countries, namely Mozambique, Botswana, Namibia and further afield in Mauritius.



# 122

branches in  
South Africa

Operational in 4 countries

6 branches beyond our borders

25 trading brands in the group

# Strategic trends impacting our business

The context in which we operate directly impacts our ability to deliver on our strategy and create value. To remain competitive and meet the demands of our stakeholders, we align our strategies to be responsive to both local and global trends that impact our business.

| Operating context  | Link to material issue   |
|--|--|
| <b>Macro environment</b> <ul style="list-style-type: none"> <li>→ Low economic growth</li> <li>→ New political leadership yet to translate into economic growth</li> <li>→ Business confidence deteriorated further</li> <li>→ Growing unemployment levels – particularly youth</li> <li>→ Continued Government delays in infrastructure development investment</li> <li>→ Emerging market uncertainty hampering growth</li> </ul>                                 | <ul style="list-style-type: none"> <li>Economy</li> <li>Political stability and will</li> <li>Economy</li> <li>Economy</li> <li>Economy</li> <li>Economy</li> </ul>  |
| <b>Operating environment</b> <ul style="list-style-type: none"> <li>→ Impact of minimum wage legislation</li> <li>→ Further labour legislation amendments</li> <li>→ Negative market perception about concept of labour outsourcing</li> <li>→ Negative union activity</li> <li>→ Curbed spending by clients</li> <li>→ B-BBEE scorecard pressure</li> <li>→ Reduced SETA funding for training</li> <li>→ Employment Tax Incentive continues until 2023</li> </ul> | <ul style="list-style-type: none"> <li>Diversification; regulatory</li> <li>Regulatory; diversification</li> <li>Diversification; stakeholder engagement</li> <li>Stakeholder engagement</li> <li>Diversification; regulatory; economy</li> <li>B-BBEE; regulatory</li> <li>Financial</li> <li>Regulatory</li> </ul> |
| <b>Legal and regulatory environment</b> <ul style="list-style-type: none"> <li>→ Impact of minimum wage legislation</li> <li>→ Labour legislation</li> <li>→ Employment equity legislation</li> <li>→ B-BBEE legislation</li> <li>→ AEDO legislation with resultant Debi-check implementation effective late 2019/early 2020.</li> </ul>   | <ul style="list-style-type: none"> <li>Regulatory; diversification</li> <li>Regulatory</li> <li>B-BBEE; regulatory; technology</li> <li>B-BBEE</li> <li>Regulatory</li> </ul>  |

# Our value creation business model

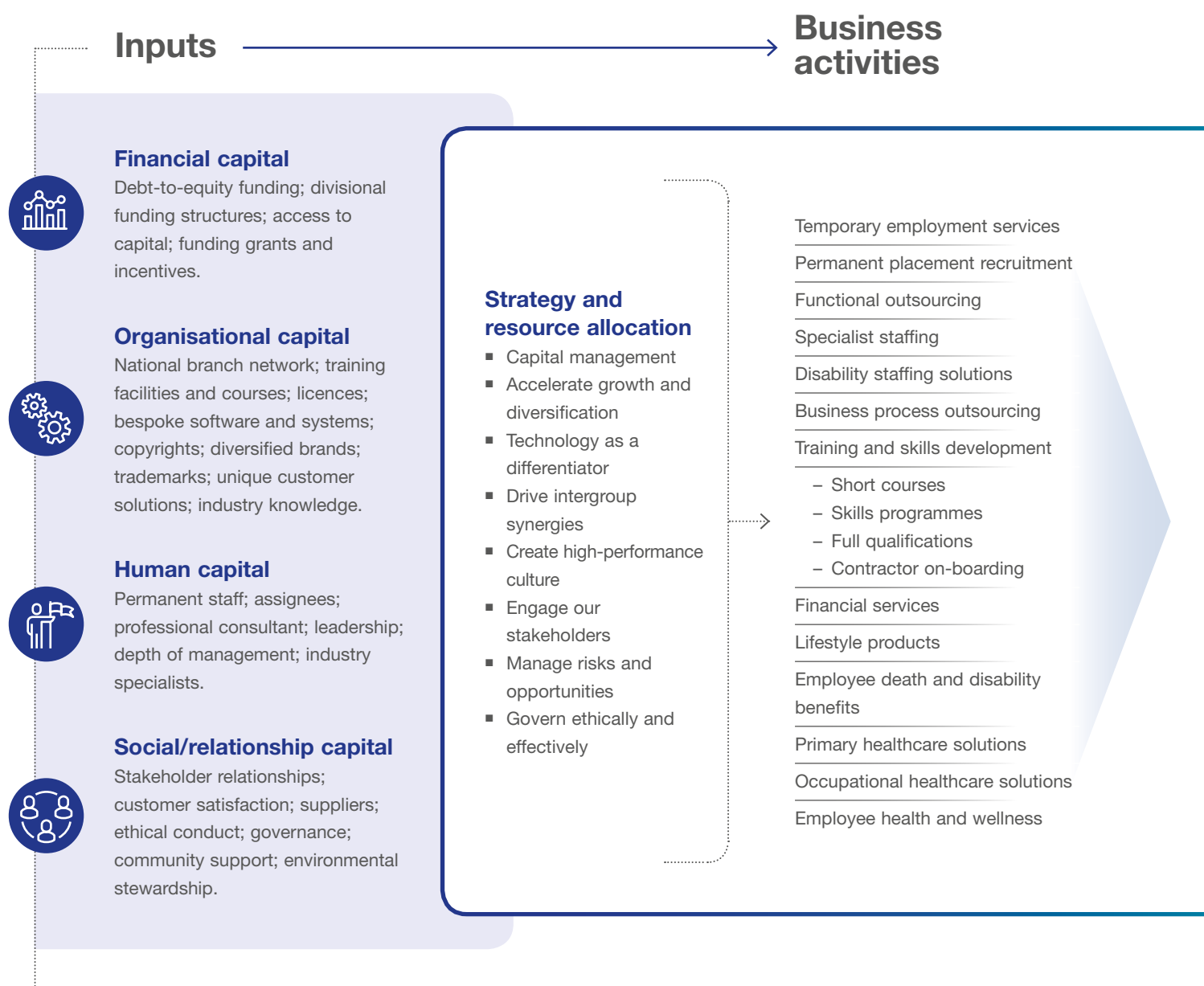
## How we create value

We create value through our interactions and relationships with our stakeholders and within the commercial environment in which we operate and on which we depend; and which in turn is impacted by our business activities.

## Inputs from our capitals

For the purposes of this integrated report, the “capitals” that flow through Workforce’s business for it to create its value are divided into four capitals, namely, financial, organisational, human, and social and relationship capital. Workforce has chosen to combine intellectual and manufactured capital to

create “organisational capital” and to incorporate natural capital with social and relationship capital as the nature of our trading activities have a low environmental impact. The IIRC’s Integrated Reporting Framework allows for this.



## Vision

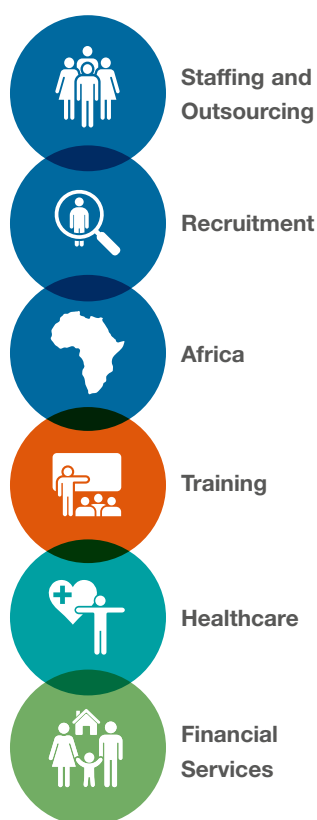
To be a progressive investment holding company managing investments in businesses that provide innovative, integrated and diversified human capital solutions globally.

## Our values

Integrity | Collaboration | Accountability | Determination | Diligence | Gratitude | “Can-do” attitude

## Outputs

## Outcomes and shared value created



We provide employment, training, healthcare, wellness, financial services and lifestyle benefits to individuals and their employers.

- Enabling entry into the job market for youth.
- Empowerment of our supply chain.
- Empowerment of unemployed and youth through skills training thereby improving their employability.
- Payment of taxes, thereby contributing to the country's economic and social well-being.
- Return on investment for providers of capital and shareholders.
- Client satisfaction which in turn creates demand for our products and services, improves our sustainability and strengthens our brand and reputation.
- Making health, wellness, financial services and lifestyle benefits accessible to individuals thereby enhancing their lives.
- Distribution of wealth, skills and experience to our employees which in turn flows through to dependent structures, such as their families and their communities.

# Our material issues

## Determination of materiality

We define materiality as issues or occurrences that substantively affect our ability to create and sustain value over the short, medium and long term. Our material aspects are determined through a structured process of identifying relevant issues, evaluating their importance and prioritising which reflect Workforce's significant economic, environmental and social impacts. Our insights are gained from various sources, including but not limited to our internal and external business







environment, risk management processes and from engaging various stakeholder groups.



During the reporting period, Workforce conducted a materiality assessment to review and identify key aspects. This assessment involved engaging a broad component of our stakeholder groups, a review of our risk universe documents, a study of the key agenda items of our various operating subsidiaries and discussions with management and the board.



In determining which aspects are most material to Workforce, we considered the impact the aspects could have on our strategy, our business model or the forms of capitals we utilise and our ability to create value over time. Once we completed the prioritisation process, a materiality matrix of those aspects most material to Workforce was presented to the board for review and approval.

Current aspects most material to Workforce's ability to create value over the short, medium and long term and which could substantively affect the future sustainability of the group are outlined in the table below:

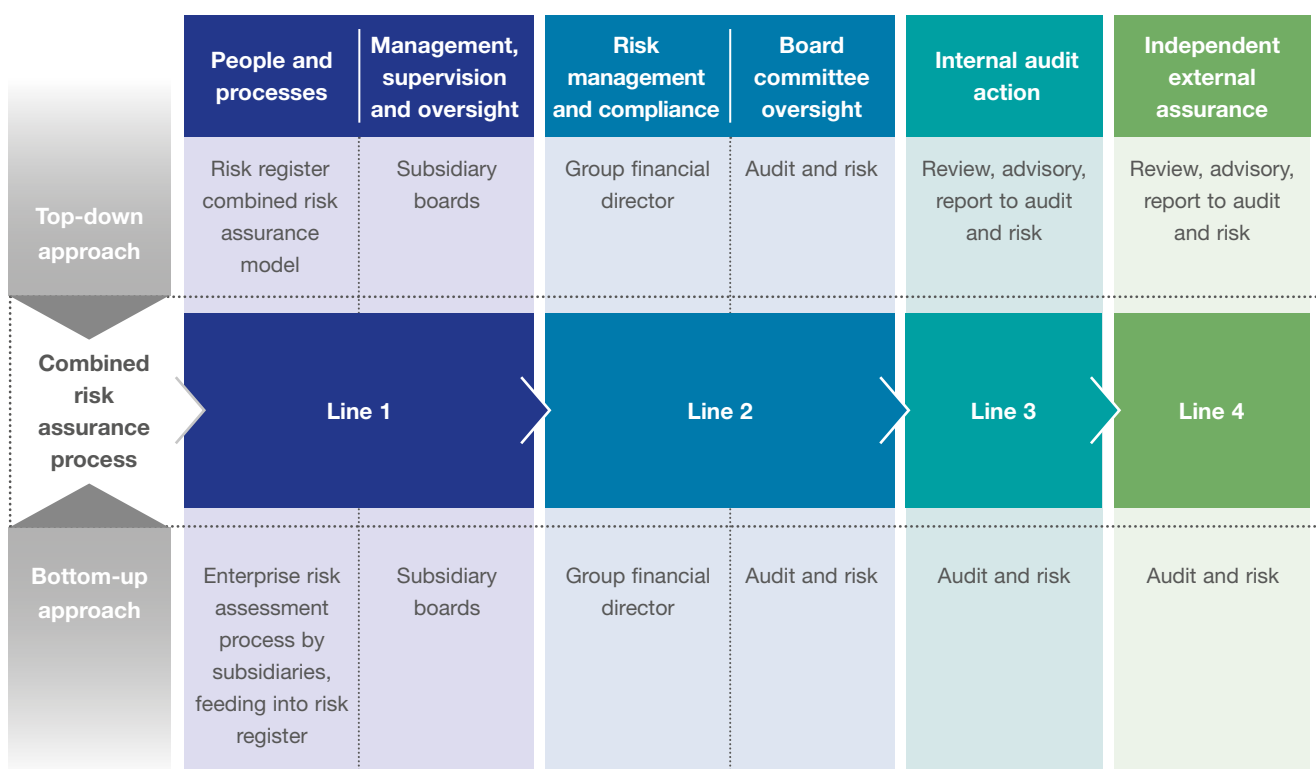
| Material matter   |                              | Why is it material  | Strategic imperative  |
|---|------------------------------|---|---|
|  | Capital management           | Risk of insufficient funding and continued reliance on Government incentives to fund the business.  | Diversification of revenue streams and product streams. Acquisitions of cash-generative businesses.   |
|  | Growth                       | Diversified product range and geographic growth is essential for diversification of income and risk and a key factor of the group's long-term sustainability plan.  | Drive growth within our diversified business portfolio through cluster executive appointments. Pursue accretive acquisitions that complement existing business and enable entry into new markets. |
|  | Technology                   | Promotes financial control and reporting effectiveness and exposes the company to fraud and corruption. Reliance on ineffective and outdated technology has a negative effect on business efficiency, differentiation, competitiveness and for risk management. | Ensure that IT is an enabler for all our businesses. Invest in our existing and new IT infrastructure, network security and new initiatives to remain relevant.                                   |
|  | B-BBEE                       | Poor B-BBEE rating can result in a negative impact on the sustainability and growth of our business.  | Divisional strategy aligned to B-BBEE codes with clearly defined goals linked to key performance areas of subsidiary management.  |
|  | Political stability and will | Volatile political landscape negatively affects investor and business confidence.   | Continue active membership and involvement in various industry forums. Continue robust stakeholder engagement.  |
|  | Economy                      | Low growth and recessionary environment affects business confidence, negatively impacts customer spending and creates unemployment.   | Cluster executives to support accelerated growth drive within our diversified businesses. Continue to market diversified and innovative employer-centric solutions.                               |

|   | Material matter              | Why is it material  | Strategic imperative   |
|---|------------------------------|---|--|
|  | Human capital management     | Inability to attract, motivate and retain key staff. Potential to lose intellectual capital. Inability to execute and deliver on business strategy.   | Position Workforce as an employer of choice and create a high-performance culture through investment and development of the human capital that flows through our business.                         |
|  | Youth employment/development | First-time job seekers use temporary assignments as an entry into the job market and improve their future employability resulting from on-the-job training and skills development provided. | Continue to support Government initiatives to facilitate youth employment and development. Continue to facilitate youth employment and development in line with our value-creation business model. |

## Managing our risks and opportunities

During the last reporting period the group adopted a combined risk assurance model which was approved by the audit and risk committee. The model was designed to provide an assurance map to indicate who assures what risk and to whom this assurance is reported. It is a tool to assess and improve the functionality of the “lines of defence” applicable to each risk.

The “four lines of defence” are reflected in the model below.



# Managing our risks and opportunities

This combined risk assurance process has provided us with a better understanding and control of our risks and has provided management with a tool to address the group's significant risks as part of the "top-down" approach.

The group also formalised its enterprise risk management process during the past financial year, which in the form of a "bottom-up" approach, inculcates a risk awareness and risk management process throughout the autonomously managed business units of the group. Each business unit completes a detailed risk register which is reviewed and managed by the internal audit department.

As part of the above processes, significant risks identified during the reporting period, together with significant risks identified by senior management were compiled into a group risk register. This register is monitored by the internal risk and audit committee on a regular basis.

The board is satisfied with management's process of determining material issues, risks, and opportunities and that the risk process is effective in continuously identifying and evaluating risks and opportunities and ensuring that these risks are managed in line with our business strategy.

Our risk table reflects our key risk summaries, in no particular order.

| Risk                                   | Risk impact on business   | Mitigation and control strategy   |
|--|---|---|
| <b>Cash management and credit risk</b> | Inability of clients to meet their payment obligations timeously or at all.<br><br>Inability to sustain and grow the business.  | Manage profitable cash-generative businesses; reduce capital costs; reduce debtors' days outstanding; improve credit control and cash management; ensure healthy debt-to-equity ratio; maintain sustainable funder relationships.   |
| <b>Technology</b>                      | Relevance of our IT infrastructure and systems on our business model directly impacts our ability to deliver and support our client base and our own businesses.  | IS steering committee strategy; investment commitment and funding to support strategy.  |
| <b>Regulatory</b>                      | Introduction of minimum wage legislation could influence the sustainability of some marginal businesses, ie. in the manufacturing sector.   | Internal specialised team of labour, legal and industrial relations experts to provide guidance on the interpretation and application of regulatory requirements to our business and clients.<br><br>Representation on Confederation of Associations in the Private Employment Sector ("CAPES") and other relevant industry bodies to ensure appropriate and timeous engagement, education and communication of all regulatory matters. |
| <b>Political</b>                       | Volatile political landscape negatively affects investor and business confidence. Ongoing tension between unions, political parties and business regarding temporary employment services and outsourcing could result in labour unrest. | Stakeholder engagement; continue to deliver compliant staff outsourcing solutions augmented by additional employee benefits; continue active membership and involvement in various industry forums. Improve communication and education on the value of the Temporary Employment Services ("TES") industry. The importance and scale of the TES industry as the largest creator of jobs in South Africa.                                |

| Risk                       | Risk impact on business   | Mitigation and control strategy   |
|----------------------------|---|---|
| <b>Economic</b>            | Low growth and recessionary environment affects business confidence, creates unemployment, increases competition and negatively impacts customer spending.                              | <p>Temporary employment services are defensive in nature in that clients are more likely to use temporary employment services in challenging times.</p> <p>Continue to drive growth within our other diversified businesses.</p>  |
| <b>Capital and funding</b> | <p>Inability to raise adequate debt or equity capital to sustain and grow existing business.</p> <p>Short-term nature of debt facilities.</p>   | <p>Diversify our funding sources between equity and debt capital including an appropriate weighting between long and short-term funding.</p>  |
| <b>Financial</b>           | The group relies on significant Government incentives that would impact its profitability if withdrawn.   | <p>Driving organic and acquisitive growth to become less reliant on Government incentives.</p>  |
| <b>Transformation</b>      | Inability to contribute meaningfully to the transformation agenda in South Africa; poor B-BBEE rating can result in a negative impact on the sustainability and growth of our business. | <p>Transformation committee and sub-committees with senior management representation; strategy aligned to revised B-BBEE codes; clearly defined goals linked to key performance indicators ("KPIs") of managers.</p>  |
| <b>Acquisitions</b>        | Failure to integrate and realise full value from acquisitions.  | <p>Acquisitions are considered against Workforce's defined acquisition criteria. A dedicated acquisition executive coupled with detailed due diligence processes and appropriate committee and board approvals to limit downside risk. Cross-discipline task teams to facilitate integration and cross-selling opportunities.</p> |

# Our strategy

## Structured for value creation

To realise our vision and to enhance the profitability and continued growth of the group, we realigned our diversification and growth strategy and formed clusters of the different business activities within the group and placed each cluster under a cluster executive with its own independent management team and the directive to grow these businesses into substantial independent entities.

### Accelerate growth and diversification of our business clusters

- **Staffing and Outsourcing**
- **Recruitment**
- **Africa**
- **Training**
- **Healthcare**
- **Financial Services**

Our strategic intent is to drive the growth, diversification and profitability of each business cluster.

We aim to create value by balancing our long-term growth ambitions while focusing on achieving excellent returns for our shareholders in the medium term.

Through our business clusters, our capability will continue to be extended to operate across a broad spectrum of industry sectors and geographies, each with its own distinctive characteristics and within each sector, we will reinforce our competitive positioning.

### Strategic focus areas

- **Capital management**
- **Growth**
  - Organic
  - Acquisitive
  - Geographic diversification
- **Technology**
- **Human capital management**
- **B-BBEE**

#### Operational priorities:

- Protect and grow existing business.
- Use technology as a differentiator.
- Unlock the value of our client base through inter group collaboration.
- Manage our costs and achieve operational efficiencies.
- Deliver unique and innovative customer solutions.

- Grow into new territories.
- Human capital management.
- Leadership development.
- Black talent management.
- Youth employment and development.

### Our competitive differentiation

Our competitive differentiation lies in the diversified and integrated service offering we deliver, the use of technology, our human capital, the extent of our national footprint and the quality relationships we have with key stakeholders.

## Strategic focus areas and our performance

| Strategic intent  | 2018 performance  | Looking forward  |
|---|---|--|
| <b>Capital management</b><br>Ensure that we are operating with the optimal capital structure appropriately weighted between debt and equity and short and long-term funding. <ul style="list-style-type: none"> <li>▪ Debt capital markets.</li> <li>▪ Equity capital.</li> <li>▪ Government finding incentives.</li> </ul> | <ul style="list-style-type: none"> <li>▪ Obtained additional acquisition funding of R30 million.</li> <li>▪ Increased Babereki funding from R15 million to R30 million.</li> <li>▪ Domestic medium term note programme renewed.</li> <li>▪ Continuous engagement with prospective shareholders.</li> <li>▪ Continued utilisation of employment tax incentive and learnership incentives.</li> </ul> | <ul style="list-style-type: none"> <li>▪ Continued efforts to increase sources of funding.</li> <li>▪ Increase efforts to communicate investment case.</li> <li>▪ Employment tax incentive extended by at least five years. Renewed efforts.</li> <li>▪ Continuous application of SETA funding and utilisation of tax incentives.</li> </ul> |

| Strategic intent   | 2018 performance   | Looking forward   |
|--|--|---|
| <b>Organic growth</b><br>Ensure that we continue to protect and grow our existing business and continue to diversify income streams outside of the staffing cluster. <ul style="list-style-type: none"> <li>Improve working capital management to optimise cash generation.</li> <li>Drive intergroup synergies and collaboration.</li> </ul>        | <ul style="list-style-type: none"> <li>Opex to revenue (excluding bad debt charges) reduced.</li> <li>Clusters established to drive accelerated growth and diversification.</li> <li>Improved collaboration between clusters.</li> <li>Sales capability improvements.</li> </ul> | <ul style="list-style-type: none"> <li>New business clusters to increase growth and diversification.</li> <li>Centralise key administrative functions.</li> <li>Protect and grow existing business.</li> <li>Drive intergroup synergies and collaboration.</li> </ul> |
| <b>Acquisitive growth</b><br>Identify and target quality businesses that are underpinned by strong management teams that share Workforce's entrepreneurial culture and value systems. <ul style="list-style-type: none"> <li>Diversification and entry into new markets.</li> <li>Accretive acquisitions to complement existing business.</li> </ul> | <ul style="list-style-type: none"> <li>Acquisition of Dyna group of companies.</li> </ul>  | <ul style="list-style-type: none"> <li>Continue to identify and target businesses that will augment our growth and diversification strategy.</li> <li>Expand our acquisition capability.</li> </ul>   |
| <b>Geographic diversification</b><br>Geographic diversification, particularly into African territories, is one of our key priorities. <ul style="list-style-type: none"> <li>Deepen African presence.</li> <li>Grow revenue and profit base from existing territories.</li> <li>Follow our local clients off-shore.</li> </ul>                       | <ul style="list-style-type: none"> <li>Significant progress made deepening our presence in Africa.</li> <li>Made significant inroads in Mozambique and Botswana.</li> <li>Further entrenched our operations in Mauritius albeit not profitably.</li> </ul>                       | <ul style="list-style-type: none"> <li>Extend and leverage our operational skill set and know-how in the segments we operate in, into new territories that have stable political and economic conditions, on a low-risk basis.</li> </ul>                             |
| <b>Technology</b><br>Technology is a key differentiator for our business and supports our ability to remain relevant and competitive. <ul style="list-style-type: none"> <li>Network security.</li> <li>Investment.</li> <li>Innovation.</li> <li>Intellectual capital.</li> </ul>   | <ul style="list-style-type: none"> <li>Strategic and operational alignment achieved.</li> <li>Roadmap established for development initiatives.</li> <li>Data warehouse completed.</li> <li>Client data interface completed.</li> </ul>   | <ul style="list-style-type: none"> <li>Improve ICT infrastructure and service delivery.</li> <li>Improve development project management methodology.</li> <li>Digitalisation of key processes.</li> <li>Move key software to the cloud.</li> </ul>                    |
| <b>Human capital management</b><br>We aim to make Workforce a great place to work by building a mutually beneficial working environment that is stable and secure and underpinned by a high-performance, ethics-based culture.   | <ul style="list-style-type: none"> <li>Appointment of group executive committee.</li> <li>Appointment of cluster executives.</li> <li>Greater inter group collaboration.</li> </ul>  | <ul style="list-style-type: none"> <li>Leadership development.</li> <li>Create a high-performance culture.</li> <li>Youth employment and development.</li> </ul>  |
| <b>B-BBEE</b><br>B-BBEE is of paramount importance to the group and we continue to strive to achieve our transformation objectives.  | <ul style="list-style-type: none"> <li>Maintained a Level 4 B-BBEE scorecard rating.</li> <li>Enterprise-wide communication, awareness and training on all the pillars of B-BBEE.</li> </ul>   | <ul style="list-style-type: none"> <li>B-BBEE scorecard improvement.</li> <li>Achieve greater diversity through achievement of employment equity numerical goals and targets.</li> </ul>  |

## Chief executive officer's review

I am pleased to report on the activities of the group for the 2018 financial year. Our progress financially, operationally and structurally was satisfactory and needs to be viewed in the context of the challenging environment in which we have operated.



**Ronny Katz**  
Chief executive officer

### External operating environment

The beginning of the 2018 calendar year coincided with the changes in the leadership of the governing party, the ANC. The initial euphoria that greeted the appointment of Cyril Ramaphosa as President of the Republic of South Africa, brought much needed optimism to the country with promises of rooting out corruption, stabilising state-owned enterprises and an over R1,2 trillion investment drive. However, the second and third quarter brought about a stark reality check.

The initial optimism was overshadowed by poor economic growth with South Africa slipping into a technical recession during the second half of 2018. Other factors included rand volatility and policy uncertainty (especially around an escalating drive to accelerate expropriation of land without compensation). In addition, the country's social and economic challenges continued to mount with unemployment levels remaining unsustainably high, rising levels of poverty, a deepening of inequality and increasing social tensions. The revelations surrounding corruption at all levels were and still are staggering and have created a pessimistic outlook for the country.

Although the current administration is taking steps to address the economic crisis, longer term structural and economic challenges remain and it will be some time before positive change translates into economic growth.

From Workforce's point of view, operating in this environment was challenging as we faced an economy that was not growing, the shedding of jobs, a shortage of capital and the beginning of an increasing interest rate cycle internationally.

In addition, and directly related to our business, were the changes in labour legislation which caused a long period of uncertainty before the legislation was promulgated and this was followed by cautiousness in the use of certain of our services; and once legislated, created even further uncertainty as to the meaning and interpretation of the labour laws.

Initially, there were numerous court challenges on the interpretation of section 198A of the Labour Relations Act, better known as the "deeming provision", but this all finalised itself and came to a head with the determination by the Constitutional Court ruling on 26 July 2018 that ultimately endorsed the legitimacy of the TES industry and supported the concept of the client becoming the employer of their outsourced staff after a period of three months for the purposes of the Labour Relations Act only!

From a regulatory point of view, we welcome the introduction of the minimum wage legislation and we are actively engaging with our clients to determine and assist them with any implications and opportunities arising from this legislation. Although it has initially created a degree of uncertainty, we believe

it will, in the longer term, improve the stability of labour in the country and will provide fairer and more sustainable pay structures.

The Employment Tax Incentive (“ETI”) remains a significant contributor to group financial results and we are pleased that Government has confirmed an extension to 28 February 2029. This programme incentivises the employment of “unemployed youth between the ages of 18 and 29”.

### The year under review

In regard to the Labour Relations Act, we undertook a lot of training of our staff, consultation with clients and changes in our systems in order to ensure our viability and sustainability in the new labour legislated environment. We anticipated that there would be a fall-off in the number of staff that we outsourced and this did materialise, but only to a small degree. However, it did force our direction into the outsourcing of contract staff in all areas where the new labour legislation did not apply and in this way has solidified our sustainability going forward.

The changes that came about were anticipated by our group a number of years before they occurred, and this gave us the ability to plan and take steps to ensure our profitability and relevance going forward. This culminated in our diversification policy and in developments in areas of business which the group was undertaking which were not directly influenced by labour legislation.

### Group structure

One of the strategies adopted to enhance the profitability and ensure the continued growth of the group was to form clusters of the different business activities and place each cluster under an independent management team with the directive to grow these businesses into substantial independent entities. In choosing these clusters and the businesses that they represent, there is a common thread and that is to maintain and improve our position in the staffing industry and to develop businesses which are interactive with our well-developed staffing business.

This also resulted in transforming our group structure and in October 2018 the group’s first executive committee (“Exco”) was formed consisting of senior members of the group and relevant support staff. This is also seen as part of the succession planning within the group. Each of the clusters in turn has their own Exco and reports to the group Exco and the chief executive officer.

*Note: As the formation of these clusters is in transition since late last year, our financial reporting for the 2018 year will not*

*reflect the new cluster structure. We hope in future to be able to report on our clusters.*

## Clusters/segment operational review

### Staffing and outsourcing cluster

The staffing and outsourcing cluster under the leadership of Sean Momberg comprises Workforce Staffing, Oxyon Human Capital Solutions, Programmed Process Outsourcing and the Quyn group of companies.

The major developments impacting this cluster during the reporting period involved the various amendments to labour legislation. Our businesses in this cluster were highly active in engaging our clients, which reinforced our position as experts in industrial relations and commercial matters, strengthening relationships and highlighting our value proposition while also providing alternative solutions in this space.

The staffing and recruitment cluster experienced a low growth year, because of economic and the legislative challenges outlined above. The net result was a marginal reduction in EBITDA contribution of 6,1% to R152,3 million (2017: R162,3 million).

**Workforce Staffing**, with 47 years of experience in providing temporary employment services, traditionally serving the manufacturing, food manufacturing, logistics, retail, warehouse and distribution, print media and waste management industries, has become a dominant TES supplier in the renewable energy space, particularly in the concentrated solar power sector. The company has also seen success in the thermal power generation, oil and gas, mining and petrochemical industries.

**Oxyon Human Capital Solutions (“Oxyon”)**, acquired in 2017, serves the technical artisanal industry through the provision of temporary employment services, permanent placement recruitment and payroll outsourcing. The financial performance of Oxyon was negatively impacted by the loss of several key clients. A new managing director was appointed in the middle of 2018 and we expect Oxyon’s performance to improve in this financial year.

**Programmed Processed Outsourcing (“PPO”)** is a functional outsourcing business that focuses on a client’s productivity output rather than merely the input of the labour provided. PPO did not contribute significantly to this cluster’s profits in 2018. However, this was in line with our expectations as we strategically invested in technology, human capital and refining of their value proposition. Going forward, we anticipate that PPO will establish itself as a meaningful contributor to this cluster’s results.

## Chief executive officer's review (continued)

**The Quyn group of companies ("Quyn")** is mainly a project-based business, focusing on infrastructure development, mining and technical artisanal skills in the TES industry. Their services include industrial relations consulting and payroll outsourcing. They have a national footprint in South Africa and are involved in numerous projects in Africa. Quyn's performance was impacted negatively by the economy and the delay in the start of various renewable energy projects. However, we believe this situation will change with the anticipated commencement of infrastructure development projects in the mining and renewable sectors in the Northern Cape and Africa.

### Recruitment cluster

The recruitment industry had a very difficult trading year due to a low level of new employment caused by poor economic conditions and low confidence levels. The brands in this cluster are Fempower Personnel, Only the Best, Teleresources, Accotech, Gcubed and Tenzing.

Since year-end, we have seen a very encouraging turn-around in the results of Fempower and Gcubed and we hope to return all the businesses in this cluster to profitability in this financial year.

### Training cluster

The training cluster under the leadership of Steven Herscovitz comprises six companies with further acquisition growth highly likely in the foreseeable future. The companies in this cluster include Training Force, Prisma Training Solutions, KBC Health and Safety, Dyna group of companies, The Cyber Academy and Allmed Training Academy.

The companies in the training cluster trained over 135 344 learners on short courses, skills programmes and learnership programmes. This was all made possible with the accumulation of additional resources added in 2018. We will continue to invest in additional resources and expertise for this segment.

**Training Force** – focuses on delivering industry and job-specific skills assessments and training interventions to businesses and their employees across a variety of industries. Training programmes are aligned with SAQA (South African Qualifications Authority), the National Qualifications Framework ("NQF") and accredited with SETA Quality Assurance departments.

Training Force has grown its footprint nationally to 12 branches enabling the business to secure larger clients and gain nationwide traction. As South Africa continues to experience widespread shortages of skilled labour, Training Force is well positioned to deliver compliant and superior skills training programmes to fill this need. Opportunities such as these have resulted in Training Force delivering above average results in

the past year, even in the face of countrywide economic uncertainties.

**Prisma Training Solutions ("Prisma")** – a specialist training provider which caters exclusively to the mining sector and is accredited for full qualifications, skills programmes and more than 400 unit standards with the Mining Qualification Authority. They are also Alpha ISO 9001:2008 certified. Prisma had a positive year of growth from the mining industry, gaining new clients and increasing revenue from current clients.

**KBC Health and Safety ("KBC")** – specialises in the Mining, Construction, Telecommunications and Manufacturing sectors focusing on on-boarding of contractors and managing contractor risks while providing systems to track compliance on site. While KBC originated in South Africa, it has an extended footprint into fellow SADC countries.

KBC performed very well in 2018 with the majority of their income generated in the mining industry.

**Dyna group of companies ("Dyna")** – our newest addition to the training cluster, Dyna group of companies has been exceptionally profitable in Namibia and delivered a pleasing set of results. Dyna is a provider of management and supervisory skills development programmes and learnerships throughout southern Africa. Dyna's value proposition is unique in that it offers practical results driven training while at the same time addressing B-BBEE and scorecard requirements.

This cluster has a number of start-up activities which are in the development stages and do not at present contribute to group profits. We are hopeful for future growth once the development phase is complete.

The EBITDA contribution from our training cluster increased to R49,9 million (2017: R19,5 million). R8,4 million of this contribution was derived from the Dyna group of companies acquired on 1 June 2018, whilst the rest was purely organic. Pursuing aggressive organic and acquisitive growth will continue to be part of our strategy. We are well positioned to unlock the opportunities resulting from the lack of quality government education and the current skills shortage in the country while exciting developments and opportunities have recently transpired across our borders, including Botswana, Mozambique and Namibia.

Endeavours such the Government's implemented YES programme, launched by President Cyril Ramaphosa in March 2018, will positively contribute towards the growth of the training cluster. We hope that under the new government leadership, this problem will be dealt with and our funding will increase so that we can deliver this much needed service.

## Healthcare cluster

The healthcare cluster incorporates two medical recruitment businesses, namely Allmed Healthcare Professionals and Nursing Emergencies and specialist employee health management business, Workforce Healthcare and its DNA Wellness brand.

The healthcare cluster invested in additional infrastructure and human capital which resulted in an 20,3% increase in operating expenses. This initiative started to yield results with a growth in EBITDA contribution of 21,9% to R23,9 million (2017: R19,6 million).

**Allmed Healthcare Professionals**, under the leadership of Donald Houston-McMillan, continued to excel and exceed expectations and has grown into a national business supplying medical personnel to the department of health as well as private hospitals and frail-care homes.

**Workforce Healthcare**, a specialist provider of a comprehensive range of on-site and off-site primary and occupational healthcare services, delivered a satisfactory set of results growing its market share for the year under review, notwithstanding its investment in infrastructure and human capital. Workforce Healthcare is a doctor driven organisation under the leadership of Dr Richard Malkin, who has been actively involved in helping employers formulate cost-effective workplace health and wellness solutions since 1986.

During the reporting period Workforce Healthcare conducted 94 690 primary and occupational medical examinations and through their employee assistance programme call centre, covered 45 306 lives.

We are confident that through enhanced collaboration this cluster will grow from strength to strength. Continuous development of the Workforce Healthcare in-house bespoke IT management system, which is used to capture and store all employee medical records will continue as technology and innovation are critical elements of the future growth and sustainability strategy of this cluster.

## Financial services cluster

The financial services cluster under the leadership of Jonathan Kruger comprises the following companies:

**Babereki Financial Services** – Babereki Employee Support Services provides financial lending and product sales and services to meet the basic lifestyle needs of South Africa's workforce.

**DebtWorx Collections Agency** – DebtWorx Collections Agency offers end-to-end solutions through efficient and tailor-made debt collections service.

**Essential Employee Benefits** – Essential Employee Benefits provides affordable, simple, and customisable coverage solutions in areas of wellness, disability, death and savings.

The financial services cluster also invested in new resources with EBITDA contribution increasing marginally to R14,2 million (2017: R12,8 million).

During the reporting period, a deal was secured in Botswana encompassing all the services offered by the financial services cluster. Materialisation and roll-out of these services will happen in the first quarter of 2019. This represents a significant opportunity for both this cluster and group to further expand into Africa.

The financial services industry remains highly regulated with ongoing changes to compliance. Our continued focus around technology and our participation in the various governing bodies has kept us ahead of the regulatory changes and has minimised the impact on business.

Whilst the current economic environment lends itself to increased sales it has been equally met with a negative effect on collections due to distressed consumers. Our improved system and vetting controls has ensured that this has had no effect on us and in fact we experienced improvements in our collections within term. Loans from 84% to 87% and products from 54% to 64,2%. Our ability to introduce alternative methods of communication has further ensured that our collection on past-due accounts continues to improve.

We will continue to ensure that our market can get maximum benefit from all our product offerings with a seamless solution delivered directly to them, these changes will make it possible to meet our goals of both an aggressive but sustainable growth trajectory.

## Africa cluster

**Workforce Africa** under the leadership of Darren Hollander, represents all the Workforce group companies and is a mirror image of the products we sell through our clusters in South Africa. We plan to solidify our current base in Africa while at the same time investigating, with caution, new countries in which to do business, with our current emphasis being on the Southern African Development Community ("SADC") countries.

Significant inroads have been made in Mozambique, with a significant increase in the number of assignees now deployed, as well as in Botswana where we are in the process of setting up a call centre and micro-finance business. We are also in talks with the Government of Botswana as well as other private parties to pursue opportunities in the training space and progress is being made to take the numerous healthcare and wellness services to the market.

## Chief executive officer's review (continued)

Our Africa expansion is one of our priorities and we anticipate over the next three years that this area will result in a meaningful contribution to our earnings. The size, diversity and inherent complexity of doing business across the continent will continue to be challenging.

We are optimistic about the prospects of this cluster in the upcoming year with forecasted economic growth and investment in many parts of Africa. The African economy (as measured by GDP) has more than doubled since 2000 and is expected to increase another 62% by 2030, driven largely by investments in infrastructure, a thriving services sector, and agricultural output. Medium-term annual GDP growth is expected to exceed 5% for many African countries, faster than many emerging markets and most of the developed world. Africa remains a promising investment destination with a bright future and retained many strong fundamentals and positive factors for investment despite the many challenges it faces.

### Information technology

In order to support our planned growth and diversification and to retain our leadership in all the divisions we have, we place large emphasis on the further development of our information technology systems focusing on development, network and infrastructure, project management and application architecture and in this regard, I would like to commend our team of developers.

### Human capital

A number of steps have been taken to improve and grow our human capital, and at the same time to become more transformative in our actions and our management of human capital and we have also introduced a number of initiatives for the measurement of performance of training and development of staff and for staff management and welfare.

We are proud of the steps we have taken and which we intend to continue to grow in the areas of holistic staff health and wellness and regularly encourage staff to participate in the various components of the #WorkforceWellness programme, which are all offered at no cost to the user. These include:

- Primary healthcare clinic – for the management of chronic and acute conditions at the workplace as well as family planning.
- Psycho-social – for emotional wellness through face-to-face counselling and psycho-social support provided by a qualified psycho-therapist.
- Physical fitness – encouraging employees to improve their physical fitness through running clubs, yoga and gym.
- Skills training – encouraging employees to participate in learnerships to upskill themselves.

These developments are all in their infancies and have been well received by the company and it is our commitment to expand our reach to include staff employed at our regions and to continue with the development of these programmes which influence the well-being and happiness of our staff – making our company an attractive place to work.

### Acquisitions

The year under review was one in which we made few acquisitions and concentrated on bedding down the acquisitions made during previous reporting periods. The acquisition made during 2018 involved the Dyna group of companies, comprising Dyna Training Proprietary Limited, Dyna Industrial Training and Development Proprietary Limited, Dyna Training Namibia Proprietary Limited and NQ Plus Networks Proprietary Limited.

We have broadened our scope in terms of acquisitions so that these will be aimed at developing and improving the business of each cluster. We have a fairly good pipeline and are focusing on building accessibility to deals on a continuous basis. Most of our acquisitions have been funded on a combination of debt and vendor finance, which at this point in time, has suited the development of our business.

### Funding

Our capital and debt structure is sufficient for our current level of business. However, acquisitions and growth in our individual businesses are going to demand further development and acquisition funding. We have facilities available but are continuously looking at mechanisms to improve the availability of funding for further growth.

### Dividend declaration

A dividend of 1,5 cents per ordinary share was declared as follows for the year ended 31 December 2018:

|                                       | 2019                     |
|---------------------------------------|--------------------------|
| Declaration date                      | <b>Tuesday, 26 March</b> |
| Last day to trade <i>cum</i> dividend | <b>Monday, 6 May</b>     |
| <i>Ex</i> dividend date               | <b>Tuesday, 7 May</b>    |
| Record date                           | <b>Friday, 10 May</b>    |
| Payment date                          | <b>Monday, 13 May</b>    |

### Outlook

From what is set out above we believe that we are in the process of establishing a structure that will enable sustainable growth in all the segments of our business and which will enable Workforce Holdings Limited to act as a holding company of investments in different segments of the people

services sector of the economy. We also look forward to the numerous infrastructure projects both in South Africa and neighbouring countries in which we can become a very relevant and significant player.

We also believe that our technology developments will set us apart in the acquisition of contracts and benefit us in the management of our client's business in terms of productivity and welfare.

We are optimistic that we will fare well in the current economy. We are also hopeful that there will be a smooth election and the leadership transition that follows will stabilise our country's political environment. Within this context our outlook is for satisfactory growth for our group of companies.

## Appreciation

I would like to thank all members of staff and their management as well as executive and non-executive directors for their significant contribution to the management of the company and its growth. We could not have achieved the year that we have, with all the difficult circumstances that prevailed, without the people involved in our business.



**Ronny Katz**

*Chief executive officer*

26 March 2019

## Financial director's review

The increase in operating margins can mostly be attributed to the significant growth experienced in our training cluster. The training sector typically operates at much higher net margins compared to our staffing businesses.

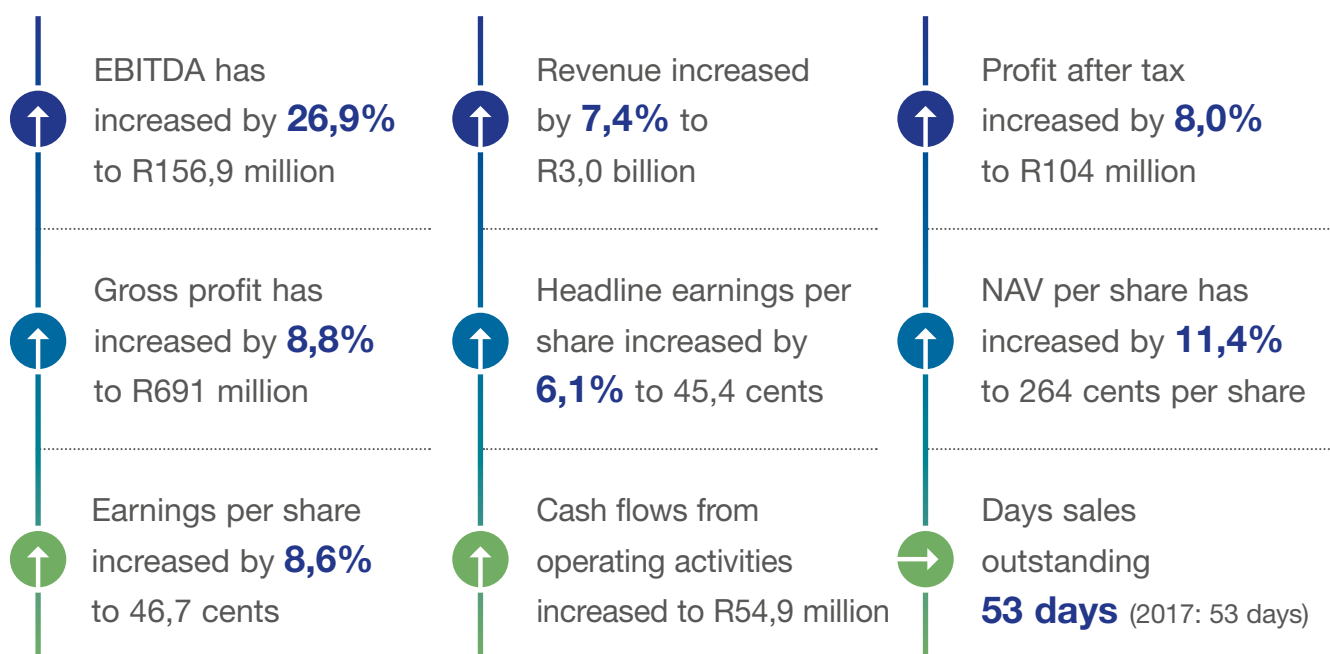


**Willie van Wyk**  
Financial director

### EBITDA performance

EBITDA for the year increased by 27% to R156,9 million (2017: R123,5 million), on the back of a 7,4% increase in revenue to R3 014 million (2017: R2 807 million). As a result, our EBITDA as a percentage to sales, increased to 5,2% (2017: 4,4%).

The EBITDA contribution from our training cluster increased to R49,9 million (2017: R26,9 million). R8,4 million of this contribution was derived from the Dyna group of companies purchased on 1 June 2018, whilst the rest was purely organic.



The staffing and outsourcing cluster (includes recruitment and Africa clusters) experienced a low growth year, because of economic and legislative challenges as outlined in the chief executive officer report. The net result was a marginal reduction in EBITDA contribution of 6,2% to R152,3 million (2017: R162,4 million).

The healthcare cluster invested in new resources which resulted in a 20,3% increase in operating expenses. This initiative started to yield results with a growth in EBITDA contribution of 21,9% to R23,9 million (2017: R19,6 million).

The financial services cluster also invested in new resources with EBITDA contribution increasing marginally to R14,2 million (2017: R12,8 million).

Our shared services and central costs improved by 8,0% to R83,5 million (2017: R90,7 million) due to certain management interventions in this regard.

Fair value adjustments netted a R5,4 million expense, mostly because of imputed interest recognised as a result of acquisitions. This amount netted an income of R10,3 million in the previous year, because of adjustments of the contingent consideration payable on business combinations.

Depreciation and amortisation of non-financial assets remained largely unchanged from the previous year. R15,6 million (2017: R10,4 million) of this amount relates to the amortisation of intangible assets resulting from acquisitions.

## Taxation

As with previous financial years, the group's low tax rate arises primarily from the income derived from the Employment Tax Incentive ("ETI") programme not being taxable, and the learnership allowances that are claimed in terms of section 12H of the Income Tax Act. ETI has been extended to 28 February 2029 whilst the 12H learnership allowance will be in place until 1 April 2022. Ongoing initiatives are under way to employ more youth, as well as to train more learners. Going forward, the group's tax rate will continue to be a function of our ability to utilise these two initiatives with regards to our taxable profits.

## Cash generation

In a financial year which saw South Africa slip into a technical economic recession, and which was further evidenced by some of our clients experiencing financial pressure, we were nevertheless able to deliver a cash conversion ratio of 61,0% (2017: 38,0%) and generate cash flows from operating activities of R54,9 million. Our interest cover ratio has improved steadily since 2015, despite paying R144,4 million in cash for acquisitions since 2015, which is noteworthy.

The group's strategy to improve cash flow continues to be driven by initiatives to improve its EBITDA to sales ratio on a sustainable basis, along with good working capital management. This translates into a healthy return on capital employed, underpinned by cash generation.

The group's days sales outstanding remained at 53 days (2017: 53 days). Unimpaired overdue debtors as a percentage of the total debtors' book, after consideration of IFRS 9 adjustments, deteriorated slightly to 9,0% (2017: 3,0%). Return on total capital employed improved to 18,2% (2017: 16,8%). Various strategies are being implemented by our cluster heads to improve gross margin management, reduce operating costs and better manage working capital.

## Funding

The group secured an acquisition funding facility of R30 million, which enabled the acquisition of the Dyna group of training businesses in June 2018. Additional funding of R15 million, secured by our micro-lending book, was also obtained during the financial year under review and this will allow the group to pursue a micro-funding business opportunity in Botswana. We are encouraged that our external funders support our acquisitive and organic growth strategies.

## Gearing

We currently have a debt to equity ratio of 0,54 compared to the previous year's 0,52. The marginal difference in this ratio occurred despite the R79,3 million increase in liabilities as a result of the Dyna group acquisition. Our interest cover ratio improved to 5,7 (2017: 4,9).

## Looking forward

The group will keep pursuing improved margins and reduced costs (via improved operational efficiencies and budgetary control) along with prudent working capital management. At the same time, the group will keep investing in new initiatives to grow our value offering and geographical reach. Finding new sources of funding given our acquisition strategy, as well as expansion initiatives into the rest of Africa, will remain a key objective. Whilst we envisage paying a small dividend on an ongoing basis, most of our free cash flow will be allocated towards new acquisitions and organic growth projects in the foreseeable future.



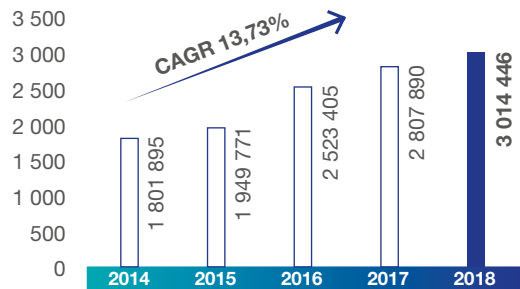
**Willie van Wyk**  
Financial director

26 March 2019

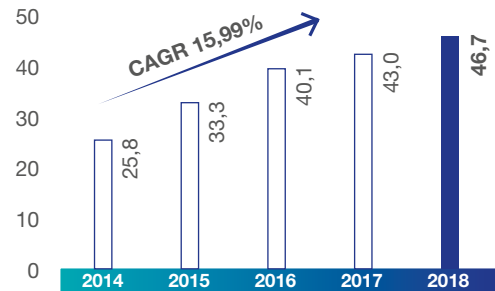
# Performance indicators over time (five-year review)

Compound annual growth rate ("CAGR")

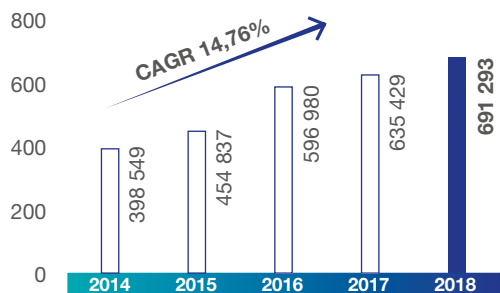
Revenue (R'000)



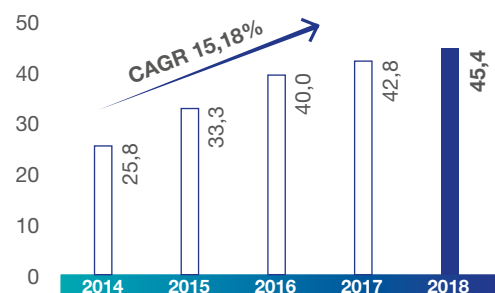
Earnings per share (cents)



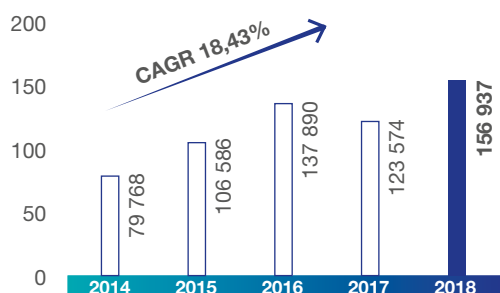
Gross profit (R'000)



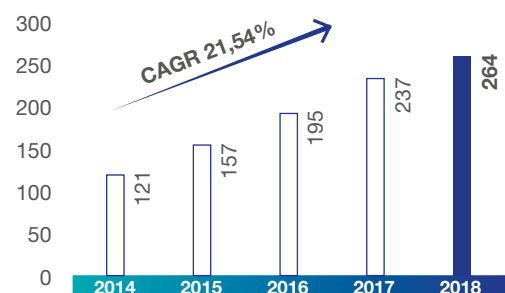
Headline earnings per share (cents)



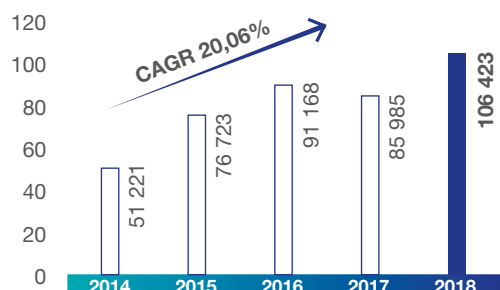
EBITDA (R'000)



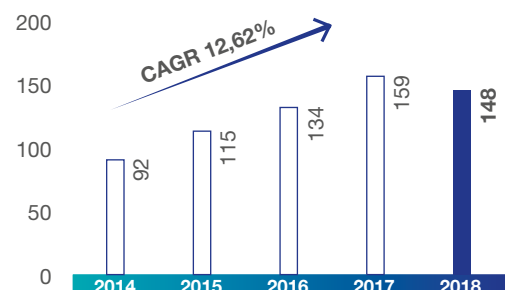
Net asset value per share (cents)



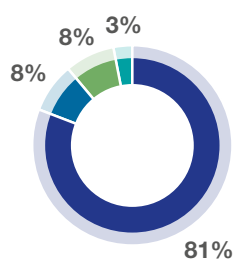
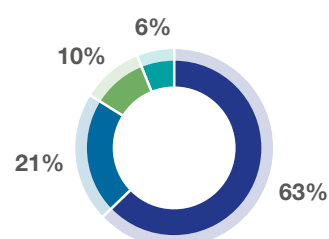
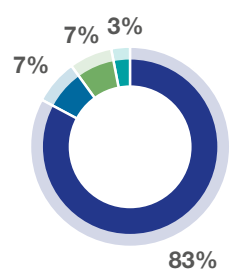
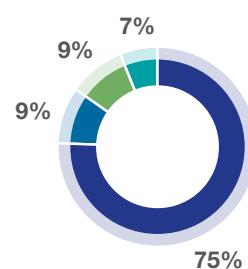
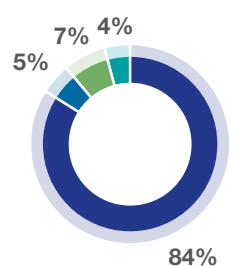
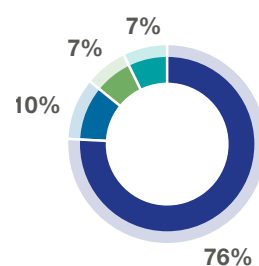
Profit before tax (R'000)



Net tangible asset value per share (cents)



# Diversification strategy in progress

**2018****Revenue****EBITDA****2017****Revenue****EBITDA****2016****Revenue****EBITDA**

■ Staffing and Outsourcing, Recruitment and Africa ■ Training ■ Healthcare ■ Financial services

# Organisation capital outcomes



## Our definition of organisational capital

We have combined intellectual and manufactured capital to create organisation capital and it comprises our extensive national branch network; our diversified business clusters; our integrated decentralised business model; training facilities; training courses; proprietary software; licences; copyrights; internally developed bespoke operating systems; unique client solutions; trademarks, brand equity, products and services and our extensive intellectual capital.

### Focus areas for 2018

- Development of business clusters.
- Integration of acquisitions.
- Growth into Africa.
- Technology as a differentiator.
- Proprietary software and operating systems.
- Product/service innovation.
- ISO 9001:2015 certification project.
- Brands and reputation.

### Business clusters to drive accelerated growth and diversification



**Staffing and Outsourcing**



**Recruitment**



**Africa**



**Training**



**Healthcare**



**Financial Services**

### Business activities of the clusters

Temporary employment services

Permanent placement recruitment

Functional outsourcing

Specialist staffing

Disability staffing solutions

Business process outsourcing

Training and skills development

- Short courses
- Skills programmes
- Full qualifications
- Contractor on-boarding

Financial services

Lifestyle products

Employee death and disability benefits

Primary healthcare solutions

Occupational healthcare solutions

Employee health and wellness

### Inputs

- Extensive intellectual capital and business know-how deployed.
- Focused sales efforts to protect and grow existing business.
- Labour legislative training.
- Ongoing client engagement.
- Product and service innovation.
- Extensive national branch infrastructure.
- Substantial investment in technology development.
- Integration of acquisitions.
- Intergroup collaboration/cross-selling.
- Management of under performing businesses.
- Reorganise business into clusters to drive growth and diversification.

### Outcomes

- Revenue increased.
- EBITDA increased.
- Improvement in cash.
- Trading brands in the group.
- Footprint extends to all provinces in SA.
- Branches beyond our borders.
- Business structure reorganised into business clusters.
- Acquired Dyna group of companies.
- Technology now a differentiator.
- Increased intergroup synergies.

### 2018

7,4%

26,9%

62,6%

25

122

6

6

–

–

–

## Trade-offs

Our investment in technology and other organisational capital components reduces our financial capital in the short term but is vital to improving our efficiency and competitiveness and increasing our capacity to generate stronger longer-term returns.

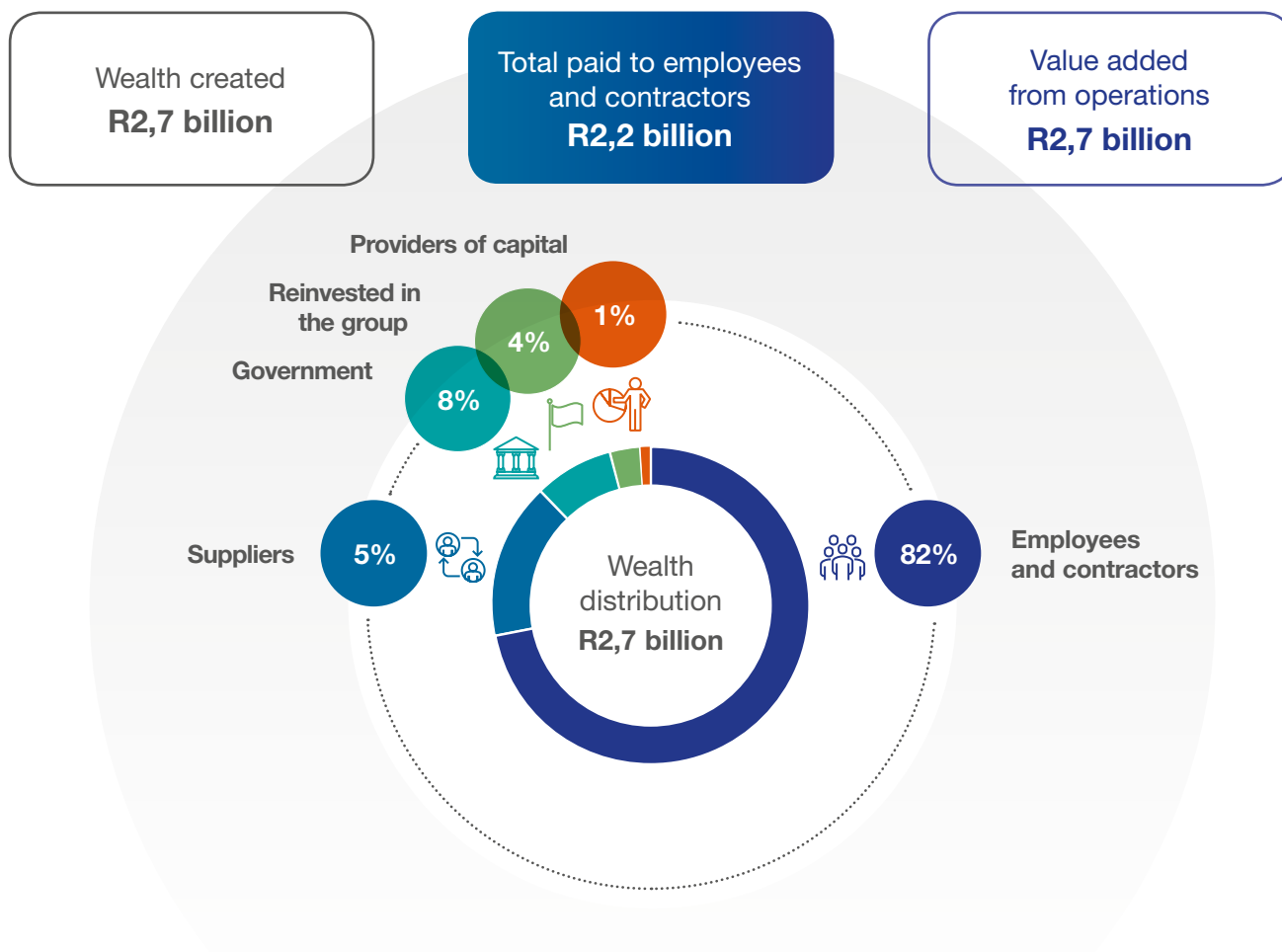
## Key actions to manage for value

One of the strategies adopted during the reporting period, to enhance the profitability and continued growth of the group, was to form clusters of the different business activities and place each cluster under an independent management team with the directive to grow these businesses into substantial independent entities. In choosing these clusters and the businesses that they represent, there is a common thread and that is to maintain and improve our position in human capital management and to develop businesses which are directly interactive with staffing.

## The value we created

The direct value created by the group through its diverse business operations and activities is reflected in the revenue generated by our various operating subsidiaries, our operating costs, employee compensation, and payments we make to the South African Government (in the form of taxes and levies). Value is also created through our contribution to the economic systems in which we operate:

- Improving the employability of individuals through skills training;
- Creating employment and entry into the job market for unemployed;
- Supporting small and medium local business enterprises whenever possible; and
- Paying in excess of R230,5 million in direct and indirect taxes.



# Human capital outcomes



## Our definition of human capital

Our human capital is defined as people's competencies, capabilities and experience, and their motivations to innovate including their alignment with and support for our governance framework, risk management approach, ethical values and their ability to understand and implement our organisation's strategy.

### Focus areas for 2018

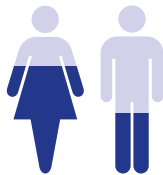
- Leadership appointments.
- Attraction and retention of talent.
- Employment equity.
- Legislative compliance.
- Diversity management.
- Grading system.
- Employee health and wellness.
- Training and development.
- Health and safety.

### Permanent staff

### Temporary staff

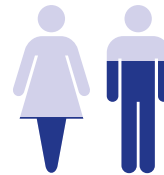
#### By gender

Female **64%**



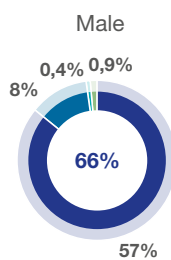
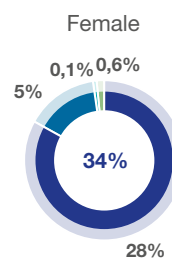
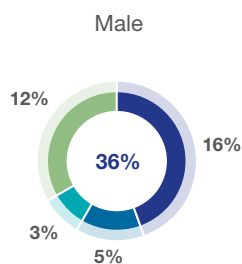
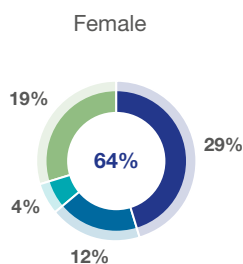
Male **36%**

Female **34%**



Male **66%**

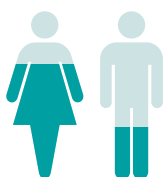
#### By ethnicity



■ African ■ Coloured ■ Indian ■ White

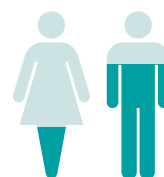
#### Youth employed

Female **67%**



Male **33%**

Female **33%**



Male **67%**

| Inputs   | Outcomes   | 2018  |
|--|--|---|
| <ul style="list-style-type: none"> <li>Experienced divisional directors and management teams.</li> <li>Diverse, experienced and motivated workforce.</li> <li>Motivated and skilled contractors/assignees.</li> <li>Safe working environment.</li> <li>Compliant and fair labour practices.</li> <li>Competitive remuneration packages.</li> <li>Access to lifestyle benefits.</li> <li>Access to death and disability benefits.</li> <li>Skills training and upskilling of our workforce.</li> <li>Stable work environment.</li> <li>Revised leave/privileged leave policy.</li> <li>Health and wellness services.</li> </ul> | <ul style="list-style-type: none"> <li>Total number of people remunerated during the year (IRP5s issued).</li> <li>Total number of permanent employees.</li> <li>% of Black employees.</li> <li>% of women.</li> <li>Average number of assignees deployed daily.</li> <li>Total amount paid in salaries/wages.</li> <li>Total number of staff/assignees trained.</li> <li>Appointment of group executive committee ("Exco") (11 members).</li> <li>Appointment of seven cluster executives.</li> </ul> | <p>79 894</p> <p>1 268</p> <p>69%</p> <p>64%</p> <p>37 895</p> <p>R2,3 billion</p> <p>1 522</p> <p>–</p> <p>–</p> |

### Trade-offs

Remuneration increased by approximately 6% across the board. While higher remuneration costs impacted our financial capital, we believe the investment in our workforce is fair and appropriate recognition for their contribution.

### Our approach to managing our human capital

Our philosophy is to build a mutually beneficial working environment that is stable and secure, underpinned by an ethics-based culture that is equitable, supportive and diversity-friendly, to enable our employees to achieve their full potential through decent and challenging work and to recognise their contribution and enable them to share in the growth of the organisation.

We provided employment for 168 permanent employees and deploy on average over 37 895 assignees daily to our clients on an outsourced basis. We also employ many consultants and contractors whose professional and technical skills we procure.

### Human rights

In line with the South African Constitution, Labour Relations Act and the Basic Conditions of Employment Act, the group

recognises the rights of employees to freedom of association, collective bargaining, dispute resolution mechanisms and protection against any form of harassment, victimization or discrimination for exercising their rights.

There were no contraventions of these principles during the period under review.

### Labour practices and decent work

Decent work refers to opportunities for women and men to obtain work in conditions of freedom, equity, security and human dignity. According to the International Labour Organisation ("ILO"), decent work involves opportunities for work that is productive and delivers a fair income, security in the workplace and social protection for families, better prospects for personal development and social integration, freedom for people to express their concerns, organise and participate in the decision that affect their lives and equality of opportunity and treatment for all women and men.

Workforce is committed to the principles of the ILO decent work agenda and we ensure that our human resources practices are aligned to the standards set by the ILO.

During the reporting period, there were no fines for non-compliance with laws and regulations.

## Human capital outcomes (continued)

### Transformation

Transformation is a key requirement for businesses to compete and remains relevant in South Africa's economy. During the period under review, we maintained our Level 4 contributor status on the revised B-BBEE codes of good practice (Generic Scorecard). Employment equity remains an area in which the group can improve its performance with emphasis on better representation of designated groups at a senior level as well as in alignment with economically active population ("EAP") statistics.

### Employment equity

Employment equity remains an area in which the group can improve its performance with emphasis on better representation of designated groups at a senior level as well as in alignment with economically active population ("EAP") statistics.

To improve our score in terms of employment equity, the group invested a considerable amount of time in training and retraining of each subsidiary company's employment equity committee to ensure improved understanding of the requirements of the employment equity act and to enhance the functionality of each committee.

Since the formation of business clusters, our employment equity strategy has been aligned to this with accountability and responsibility now assigned to each cluster executive to ensure employment equity goals and targets are achieved by each subsidiary within their respective clusters.

- Employment equity focus areas for 2018.
- Monitor implementation of employment equity plans for subsidiaries within each clusters.
- Ongoing employment equity education and awareness.

- Close monitoring and management of "deviation" appointments.
- Schedule ongoing employment equity committee meetings.
- Quarterly numerical analysis and monitoring of employment equity progress.
- Monthly and quarterly feedback to executive committees.
- Monitor and address employment equity barriers.
- Training of new employees.

### Youth employment

So many young South Africans are excluded from economic activity, and as a result suffer disproportionately from unemployment, discouragement and economic marginalisation. High youth unemployment means young people are not gaining the skills or experience needed to drive the economy forward. This lack of skills and experience can easily become an impediment to employment, thereby having long-term adverse effects on the individual and the economy.

We continue to play an important role in youth development and job creation, particularly at grass roots level, where first time job seekers use temporary assignments as an entry into the job market and improve their employability as a result of on-the-job training and skills development provided. During the reporting period we employed over 42% young people aged between 18 and 35 per month, reflecting our support of Government's aim of encouraging employers to hire young and less experienced work seekers as outlined in their National Development Plan.

### Workforce Holdings Limited – Employment equity statistics

|  |
|--|
| Top management   |
| Senior management  |
| Professionally qualified, experienced specialists and mid-management   |
| Skilled technical, academically qualified workers, junior management, supervisors, foremen and superintendents |
| Semi-skilled and discretionary decision making   |
| Unskilled and defined decision making  |
| <b>Total permanent staff</b>   |
| Temporary employees (employed for less than 3 months)  |
| <b>Grand total</b>   |
| People with disabilities   |

| Training for permanent staff                        | Number of learners | Number of black learners | Black youth (under 36) |
|---|--------------------|--------------------------|------------------------|
| <b>Learnerships</b>                                 |                    |                          |                        |
| Management NQF5 (July 2017 – June 2018)             | 64                 | 41                       | 27                     |
| Business Admin NQF3 (July 2017 – June 2018)         | 42                 | 38                       | 27                     |
| Business Practice NQF1 (July 2017 – June 2018)      | 8                  | 6                        | 3                      |
| Business Admin NQF3 (October 2018 – September 2019) | 32                 | 28                       | 30                     |
| <b>Skills programmes during 2018</b>                |                    |                          |                        |
| New venture creation                                | 25                 | 20                       | 18                     |
| Wits NQF5   | 12                 | 5                        | 2                      |
| Wits NQF7   | 14                 | 4                        | –                      |
| Short courses/internal training                     | 1 325              | 1 089                    | –                      |

### Training for permanent staff

During the review period we focused on ensuring that a considerable amount of in-house product and operational training courses were run for employees of our businesses. In addition to the requirement for all new employees to attend induction training, much training took place on the group's bespoke in-house systems, including cross-training on various integrated systems as it is an important component of our business model and directly affects operational efficiency and performance. Training and re-training on labour legislation is another area which received much attention to ensure that our sales and operational staff are well versed with the requirements of the different legislation that impacts our business and to enable them to remain updated on any amendments that are promulgated.

### Learnerships for our contractors

Many of our blue-collar contract staff were again offered the opportunity to consolidate their many years of work experience into a recognised qualification through a learnership intervention. A learnership opportunity enables a contractor to formalise and upskill in the work they are typically already doing by acquiring a qualification from a recognised Seta.

During the reporting period, 347 Workforce Staffing contractors trained and participated in learnerships. We will continue to upskill our contract workers on learnership programmes during 2019.

We provided employment for 1268 permanent employees and an average of over 37 895 employees who we deploy daily to our clients on an outsourced basis, and the many consultants and contractors whose professional and technical skills we procure, and the intellectual capital we continue to build through the knowledge and business know-how of our leadership and key employees.

| Male    |          |        |       | Female  |          |        |       | Total  | Foreign nationals |        |
|---------|----------|--------|-------|---------|----------|--------|-------|--------|-------------------|--------|
| African | Coloured | Indian | White | African | Coloured | Indian | White | 2018   | Male              | Female |
| 1       | –        | 2      | 19    | 1       | 4        | 1      | 10    | 38     | 1                 | –      |
| 1       | 1        | 5      | 26    | 4       | 5        | 5      | 27    | 74     | 2                 | 1      |
| 16      | 4        | 8      | 48    | 18      | 10       | 2      | 58    | 164    | 2                 | 1      |
| 105     | 43       | 26     | 55    | 107     | 65       | 21     | 96    | 518    | 6                 | 6      |
| 69      | 12       | 3      | 5     | 194     | 63       | 28     | 52    | 426    | 1                 | 5      |
| 6       | –        | –      | –     | 41      | 2        | –      | –     | 49     | –                 | 3      |
| 198     | 60       | 44     | 153   | 365     | 148      | 57     | 243   | 1 268  | 12                | 16     |
| 5 993   | 797      | 46     | 98    | 2 961   | 495      | 18     | 72    | 10 480 | 7                 | 1      |
| 6 191   | 857      | 90     | 251   | 3 326   | 643      | 75     | 315   | 11 748 | 19                | 17     |
| 2       | 1        | 1      | 2     | 2       | –        | –      | 3     | 11     | –                 | –      |

## Human capital outcomes (continued)

| Clinic statistics for 2018                                      | Number of employees/cases          |
|---|------------------------------------|
| Total clinic visits by employees                                | 1 518                              |
| Health risk assessments conducted to identify employees at risk | 287                                |
| Total chronic conditions identified                             | 31 hypertension – now on treatment |
|   | 4 diabetics – now on treatment     |
|   | 4 asthmatics – now on treatment    |
| HIV/Aids counselling and testing                                | 84 employees tested                |
| Total employees who consulted clinic doctor                     | 88                                 |

### Staff welfare

Management continued with its approach to create a high-performance culture by supporting employees in achieving holistic health and wellness. The group's #WorkforceWellness programme launched in the previous reporting period continued to be well supported and utilised by staff. The #Workforce Wellness programme comprises three components:

An on-site clinic at the group's head office in Parktown with Clinic services that include primary healthcare, family planning and the management of chronic and acute conditions.

Another component of the #WorkforceWellness programme is "Emotional Wellness" which enables our employees to access face-to-face counselling and psycho-social support. A qualified psycho-therapist is available weekly at our head office for face-to-face counselling and telephonically for outlying areas.

The third component of the #WorkforceWellness programme is our focus on the physical fitness whereby employees are encouraged to improve their level of physical fitness. This drive is extended to operating divisions throughout the country and encourages employees to participate in various physical fitness activities through our inter-company yoga and running clubs, all free of charge.



### Health and safety

Workforce is committed to compliance with the Occupational Health and Safety Act, as amended, and in so doing, ensuring the health and safety of all our employees. This is achieved through the application of health and safety processes, including a management system and ultimately by aligning our Health and Safety Management System to ISO45001 accreditation requirements.

The group's health and safety management policy supports the development of a safety culture throughout the entire organisation, in which all staff assume responsibility for health and safety and engage in this effort, as well as ongoing improvement at all levels and within all areas of our trading entities.

During the reporting period, much effort was invested in ensuring that health and safety compliance is maintained and included the following initiatives:

- Review of health and safety risk assessment to identify hazards and align our policy and procedures with the assessment.
- Updated policy and procedures to make provision for disabled employees.
- Ensured health and safety committees are functional including their sub-committees and representatives.
- Ensured compliance certificates for all our operations are obtained.
- Ensured health and safety is entrenched as part of the group induction programme.
- Created a strong health and safety culture through regular training and awareness campaigns.
- Ensured regular documented fire and emergency drills will be conducted.

# Social and relationship capital outcomes



## Our definition of social and relationship capital

### Focus areas for 2018

- Inclusive stakeholder engagement.
- B-BBEE compliance.
- Enterprise development.
- Supplier development.
- Community support.
- Learnerships for unemployed.
- Protection of personal information.
- Management of ethics and anti-corruption.
- Licence to operate.
- Environmental stewardship.

To be a truly sustainable organisation we must continually look internally and externally to remain abreast of our operating landscape and consider the impact our business has on all our stakeholder groups. Our social and relationship capital is made up of a combination of social, relationship and natural capital and encompasses the institutions and the relationships within and between the communities in which we operate. Our stakeholders include our shareholders, funders, clients, employees, contractors, unemployed and unskilled individuals; learners, interns, suppliers, unions, Government and regulators; and all the local communities in which we operate. It also encompasses our relationship with the environment and the impact of our business on renewable and non-renewable environmental resources.

### B-BBEE – 2018 rating

|  | 2018  | 2017  |
|--|-------|-------|
| Equity ownership                                     | 23,48 | 23,58 |
| Management and control (including employment equity) | 7,72  | 7,29  |
| Skills development                                   | 11,28 | 14,27 |
| Enterprise and supplier development                  | 33,29 | 31,00 |
| Socio-economic development                           | 5,00  | 5,00  |
| Total score  | 80,77 | 81,13 |
| B-BBEE level   | 4     | 4     |

### Inputs

- Taxes paid to Government.
- Outreach activities by our staff.
- Community support initiatives.
- Youth empowerment via learnerships.
- Inclusive engagement with stakeholders.
- Environmental stewardship initiatives.
- Support for establishment of an ethical culture.

### Outcomes

- Total SED/CSI expenditure.
- B-BBEE rating.
  - Black ownership.
  - Black women ownership.
- Learnerships for unemployed.
- Breach of privacy and loss of consumer data.

2018

R1 218 500

Level 4

51%

34%

1 110

Nil

### Trade-offs

Reducing our financial investment in socio-economic development would improve our financial capital in the short term but would have a negative impact on the communities in which we operate, which in turn would damage our brands. Over the long term, our investment creates goodwill in the communities from which we recruit the staff we need, specifically our assignees and contractors.



### Inclusive stakeholder engagement


The value Workforce creates for itself is linked to the value it creates for others. Our stakeholders, their interests and level of influence in the company's business varies according to the operational segment, geographic location and the nature of their interest. We recognise that there is a broad range of

stakeholders with an interest in our business, our activities and initiatives, as well as on whom our business depends.

Proactive, constructive and inclusive stakeholder engagement is therefore fundamental for sustainable value creation. We define stakeholders as individuals or groups who affect or are affected by our organisation and its activities. Our inclusive approach to stakeholder engagement enables us to identify and prioritise our material matters, gain insights and learning, mitigate risks to the business, seek areas of potential partnership and create mutual trust and respect. It also provides us with essential information to influence the crafting of our strategies. Each of our stakeholders plays an important role in helping us fulfil our purpose of "making a difference in people's lives".

## Social and relationship capital outcomes (continued)

| Stakeholder group  | Nature of engagement   | Key issues raised   | Our response and the value we create   |
|--|--|---|--|
|  <b>Shareholders and providers of capital</b> | Annual report; SENS announcements; road show presentations.  | Business sustainability; access to funding; share liquidity; debt-to-equity ratio; ROI.   | The shared value we create is through managing a sustainable business with effective risk management structures and by operating within an optimal capital structure. Facilitating transparent engagement through presentations, road shows and face-to-face meetings.   |
|  <b>Clients and prospective clients</b>       | Meetings; site visits; telephonic; email; internet; social media.  | Legislative and regulatory; efficiency; national minimum wage; technology; pricing; productivity management; SLA performance; talent/skills search; cost management; B-BBEE rating. | We strive to create value for our clients through product and service innovation to meet their needs; providing responsive customer service; treating our outsourced employees fairly and offering benefits; labour law education; training; learnership hosting; radical disability solutions; risk management; compliance; credit terms.   |
|  <b>Employees/ assignees</b>                | Meetings; newsletters; newsflashes; email; social interactions; intranet; social media platforms; whistleblower hotline. | Working conditions; benefits; employee welfare; training; mentoring; succession planning; remuneration, reward and recognition; discipline; working conditions; health and safety.  | We are committed to creating value for all our employees and contractors by providing employment opportunities within a stable work environment that is non-discriminatory and legally compliant. Build a high-performance culture through training and skills development including ongoing legal and regulatory training for sales and operational staff. Performance appraisal structures provide for reward, recognition and career development opportunities. Providing access to health and wellness benefits. |
|  <b>Unions</b>                              | Meetings; workplace forums; presentations.   | Employment conditions; benefits; pay rates; legislation; working conditions; employee welfare; temp to perm conversions.  | We create value by being legally compliant and paying wages and benefits and not violating human rights and through transparent and meaningful engagement with employee representative forums.   |
|  <b>Local communities</b>                   | Meetings; community engagement; recruitment drives; meetings.  | Youth employment; training and skills development; mentoring; community leader engagement; labour desks; local recruitment; employee welfare; community support (SED/CSI).          | We strive to create value by employing people from local communities in which we operate. Our commitment to youth development and employment; learnership and internship programmes for unemployed; utilisation of local service providers and community support through SED/CSI initiatives.  |

| Stakeholder group  | Nature of engagement   | Key issues raised   | Our response and the value we create  |
|--|--|---|---|
|  <b>Government and regulators</b> | Forum participation; meetings; reporting.                            | JSE; industry regulation; ETI (youth employment); skills development; B-BBEE; employment equity.                        | The value we create is reflected through our commitment to support Government in achieving the National Development Goals; providing employment and training; contributing to the fiscal revenue; supporting the country's transformation agenda; involvement and active participation in industry regulatory bodies. |
|  <b>Suppliers</b>                 | Electronic portals; meetings; telephonic; preferential.              | Funding; underwriting; preferential supplier listing; products and pricing; empowerment rating; enterprise development. | We strive to create value for our suppliers through the purchase of goods and services from B-BBEE accredited suppliers; and supporting supplier development initiatives.   |
|  <b>Media</b>                   | Results announcements; media statements; editorials; advertisements. | Results announcements; media statements; editorials; advertisements; meetings.  | We see the media as a partner in relaying relevant information to our broader stakeholder community.  |

## Management of ethics and anti-corruption

Cultivating an atmosphere of mutual workplace respect and proper business conduct is vital to the integrity and success of the group. Our values form part of our endorsement to foster an open and ethical workplace environment throughout all our operating subsidiaries, where every opportunity is sought to promote a culture of reporting wrongdoing reinforced by a zero tolerance towards fraud and inappropriate conduct.

Maintaining effective policies is an important step in cultivating an ethical culture and the following policies were reviewed during the reporting period and found to be applicable:

- Code of Business Conduct;
- Policy on fraud, theft, corruption and associated internal irregularities; and
- Whistleblower and whistleblower protection policy.

These policies also support the group's observance of other anti-bribery and anti-corruption laws and regulations including, but not limited to, the South African Prevention and Combating of Corrupt Activities Act, 2004 (as amended) (Act 12 of 2004), the United National Global Compact Business Principles, and Organisation for Economic Cooperation and Development ("OECD") recommendations regarding corruption as outlined in the South African Companies Act 2008 (Act 71 of 2008), as amended.

Our whistleblower campaign continues to act as one of the components of our risk management framework. Permanent staff, contractors and our other stakeholders are encouraged to use this confidential disclosure medium through regular awareness communication elements including email footers, posters, etc. Our campaign also includes a whistleblower hotline which is independently operated by Whistle Blowers Proprietary Limited, who are also appointed to receive all reporting and confidential disclosures.

During the reporting period there were 38 disclosures received via the whistleblower's hotline, 28 of which were finalised through the group's internal disciplinary procedure and the remaining 3 were not investigated due to insufficient information while 7 were still being investigated at year-end.

## Protection of personal information

The group is committed to protecting all our stakeholders' privacy and ensuring that their personal information is used appropriately, transparently, securely. No complaints related to breach of privacy and loss of customer data were received or reported during the period under review.

# Social and relationship capital outcomes (continued)

### B-BBEE

Good B-BBEE credentials are vital to do business in South Africa and supports our social licence to operate. The group's transformation efforts towards improving its B-BBEE contributor level status continued to receive focus during the reporting period and resulted in the group successfully retaining a Level 4 rating on the revised codes of good practice.

All our business clusters and the respective subsidiaries within each cluster mandated to remain focused on achieving their individual transformation goals and in so doing contribute towards improving the group's overall B-BBEE scorecard achievement.

### Enterprise development

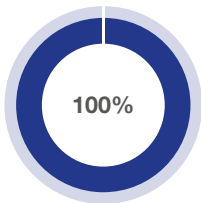
The group's enterprise development programme is structured to provide for investment, mentoring, skills transfer and assistance for black-owned businesses that are aligned to our core business. During the reporting period Workforce

concluded an enterprise development agreement with a black women-owned business which resulted in the establishment of Programmed Sourcing Proprietary Limited. We envisage that this partnership will not only contribute to our overall B-BBEE scorecard goals but will result in meaningful growth and development of the people associated with this newly created enterprise.

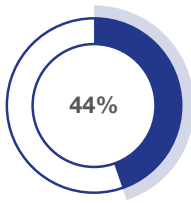
### Preferential procurement

The group has 3 398 suppliers from whom we procure the products and services we require for our day-to-day business operations throughout the country. In line with our transformation strategy we actively pursue the procurement of goods and services from suppliers with good B-BBEE credentials. This also includes extending supplier development initiatives that provide opportunities for black-owned and black women-owned businesses, including EME (exempted micro enterprise) and QSE (qualifying small enterprise) businesses, to benefit from our procurement spend.

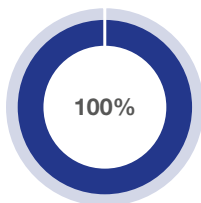
Spend with all  
empowering suppliers



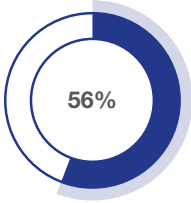
Spend on QSE  
empowering suppliers



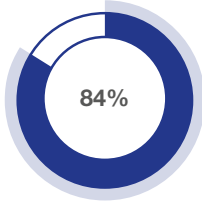
Spend on  
EME suppliers



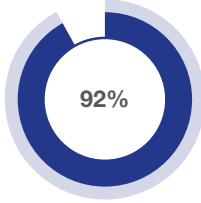
Spend on empowering  
suppliers at least 81%  
black-owned



Spend on empowering  
suppliers at least 30%  
black female owned



Designated group  
suppliers at least 51%  
black ownership



## Skills development for unemployed people

Workforce has acquired extensive experience in hosting and facilitating learnership and internship programmes for unemployed people, with a good track record of successful completion by delegates. This not only supports our efforts to improve our B-BBEE rating, but it also translates into numerous spin-offs and value created for the communities in which we operate and the vast number of unemployed young people throughout the country.

Training of unemployed youth (defined as people under the age of 36) provides value to all stakeholders involved. The learner obtains a qualification and valuable work experience. Many of the learners on completion of their learnership are offered either permanent or temporary contracts by either Workforce as the lead employer or by the host employer.

| Learnerships for unemployed learners | Subsidiary         | Timeframe                     | Number of learners | Number of black learners | Black disabled learners | Black youth (under 36) |
|--------------------------------------|--------------------|-------------------------------|--------------------|--------------------------|-------------------------|------------------------|
| Manufacturing (National)             | Quyn International | October 2017 – September 2018 | 73                 | 73                       | –                       | 73                     |
| End user computing (National)        | Quyn International | October 2017 – September 2018 | 139                | 139                      | –                       | 138                    |
| Manufacturing (National)             | Molapo Quyn        | October 2017 – September 2018 | 57                 | 57                       | –                       | 57                     |
| End user computing (National)        | Molapo Quyn        | October 2017 – September 2018 | 164                | 164                      | –                       | 164                    |
| Manufacturing (National)             | Sizuluntu          | October 2017 – September 2018 | 34                 | 34                       | –                       | 34                     |
| End user computing (National)        | Sizuluntu          | October 2017 – September 2018 | 90                 | 89                       | –                       | 89                     |
| Business admin NQF3 disabled         | Workforce Staffing | September 2018 – August 2019  | 26                 | 26                       | 26                      | 25                     |
| Allmed Ancillary Health Care         | Allmed             | November 2017 – October 2018  | 100                | 100                      | –                       | 94                     |
| Bricklayers 1                        | Workforce Staffing | June 2015 – May 2018          | 88                 | 88                       | –                       | 84                     |
| Bricklayers 2                        | Workforce Staffing | November 2016 – October 2019  | 94                 | 94                       | –                       | 94                     |
| Bricklayers/plumbers 3               | Various divisions  | June 2018 – May 2021          | 143                | 143                      | –                       | 140                    |
| Bricklayers                          | Workforce Staffing | September 2018 – August 2019  | 30                 | 30                       | –                       | 25                     |
| Quyn international BA3 Cape Town     | Quyn International | September 2018 – August 2019  | 42                 | 42                       | 12                      | 22                     |
| Molapo BA3 Cape Town                 | Molapo Quyn        | September 2018 – August 2019  | 30                 | 30                       | 6                       | 28                     |
|                                      |                    |                               | 1 110              | 1 109                    | 44                      | 1 067                  |

## Social and relationship capital outcomes (continued)

### Socio-economic development

The group's socio-economic development efforts aim to uplift and assist historically disadvantaged individuals living in the local communities in which we operate. As unemployment is an escalating problem in our country, many of our initiatives include skills development and training initiatives which we offer to unemployed people and in so doing improve their employability, particularly for the youth and those living with a disability.

We are fortunate that so many of the contracts we are involved in are directly or indirectly the result of private and public sector initiatives to create jobs. Our diversified business structure enables us to integrate employment and training which results in sustainable value being created for individuals associated with our group and which in turn can flow through to dependent structures such as their families and their communities.

During the reporting period, the group's contribution towards socio-economic development amounted to over R1,2 million which was used to support the communities in which we operate and from which our various operating companies recruit the staff they need for their businesses.

| 2018 SED support allocation: R1,2 million | %  |
|---|----|
| Community training                        | 5  |
| Development                               | 21 |
| Education                                 | 65 |
| Healthcare                                | 8  |
| Sport                                     | 1  |

### Our relationship with the environment

The group's efforts around environmental sustainability continue to focus on reducing the negative impacts of our operating divisions. Although we are classified as a low impact business because of the relatively small impact we have on the natural environment, we are committed to mitigating our impacts in order to respond to the challenge of climate change while minimising our operating costs.

While the group has seen improvements and efficiencies resulting from the various awareness campaigns we run throughout the group, better results will be achieved if we formalise our efforts by measuring and monitoring our environmental impact. This will include establishing and implementing data collection processes to determine improvement targets.

### Our focus areas for 2018

**Energy efficiency** – Workforce's biggest natural resource input is coal-based electricity sourced from Eskom. Significant savings have been achieved through energy efficiency awareness campaigns launched throughout the group – specifically in respect of electricity usage. Motion sensing lights installed in various offices only switch on once motion in a room is detected. Desktop printers have been replaced with shared energy-efficient multi-functional devices.

**Procurement** – The group's centralised procurement department embarked on an extensive exercise to scrutinise and evaluate the group's procurement processes. A number of actions introduced during the year resulted in cost savings, procurement of environmentally friendly products where possible, and an evaluation and review of our supplier database with specific emphasis on introducing preferential procurement structures to align our procurement spend with the new B-BBEE codes. The next phase of this initiative will be to incorporate environmental measurement indicators and measurement thereof.

**Decrease paper usage** – By raising awareness, the response throughout the group has been impressive especially in respect of reducing paper usage by printing less and where possible double-sided printing. The use of technology has reduced in-system paper utilisation by enabling the distribution of electronic payslips to our employees and eliminating the need to print curriculum vitae's received. Company notices, newsflashes and monthly newsletters are all communicated electronically to our staff, clients and other stakeholders.

**Reduce and recycle** – Recycling initiatives introduced throughout the group focus on managing the disposal of paper, plastic water bottles and containers used in the day-to-day business environment. Since creating a greater consciousness of the need to recycle it has also created awareness of the amount of plastic water bottles used daily in the business, specifically at our head office in Parktown. During the reporting period the provision of individual plastic water bottles for meetings was substituted with water jugs. Recycling and reducing the use of paper has improved significantly throughout the group since the start of our environmental awareness initiatives.



# CORPORATE GOVERNANCE

## Corporate governance report

### Custodians of governance

The board accepts its responsibility as the custodians of corporate governance within the group and are therefore accountable to stakeholders for the provision of value-enabling governance. The board is constituted in terms of the company's memorandum of incorporation and in line with King IV. The majority of the board members are independent non-executive directors who bring diversity to board deliberations and create value by constructively challenging management.

A clear division of responsibilities between the directors is maintained to ensure that no single director has unfettered decision-making powers. A delegation of authority framework is in place and reviewed regularly to ensure the necessary authority to management to implement and execute the strategy. The board is satisfied that the delegation of authority framework contributes to role clarity and the effective exercise of authority and responsibilities.

The board is the highest decision-making body in the group. It approves the group's strategy and ensures that it is aligned with the group's values. The board assumes collective responsibility for steering and monitoring strategy implementation and performance targets as well as any risks involved in the implementation of the strategy. It is collectively responsible for the group's long-term success. The board is accountable to shareholders and strives to balance the interests of the group and those of its various stakeholders. All directors are continuously taking steps to ensure that they have sufficient working knowledge of the group and industry within the triple context in which it operates. Directors are required to ensure continued development of their competencies to lead effectively and act with due care, skill and diligence and take reasonable diligent steps to become informed about matters for decision-making.

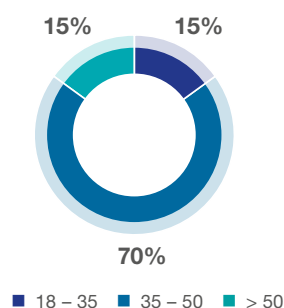
The directors have access to the advice and services of the company secretary. They are entitled, at the company's expense, to seek independent professional advice about the affairs of the company regarding the execution of their duties as directors.

### Board composition

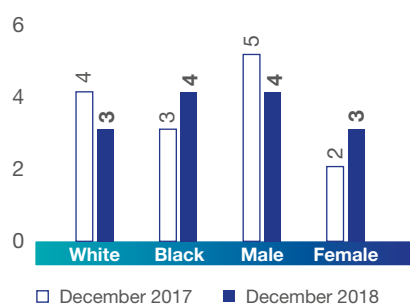
During the reporting period, Philip Froom resigned as chief executive officer effective 30 June 2018 and Ronny Katz was appointed as interim chief executive officer. Resulting from this, the lead independent non-executive director, John Macey, was appointed as interim chairman on the same date. Inshaaf Ross was appointed as shareholder nominated non-executive director representative effective 13 August 2018 and Mark Anderson resigned as alternative director to Shaun Naidoo on the same date. Subsequently and due to the timelines to appoint a new chief executive officer, Ronny Katz was appointed as chief executive officer and John Macey as independent chairman effective 21 August 2018.

The board met five times during the 2018 financial year, one meeting being a special board meeting. The non-executive directors also met on two occasions without the executive directors present to discuss governance matters.

Director ages (years)



## Director race and gender



## Director classification



## Committee membership

| Name and qualifications                                       |                                    | Designation and other public company appointments | Committee membership |     |     |     |    |
|---|------------------------------------|---|----------------------|-----|-----|-----|----|
|   |                                    |   | Attendance           | ARC | RNC | SEC | IC |
| <b>Executive</b>  |                                    |   |                      |     |     |     |    |
| Ronny Katz (76)<br><i>B.Com, LLB, MBA</i>                     | Chief executive officer            | 5/5   |                      |     |     |     | ✓  |
| Willie van Wyk (47)<br><i>CA(SA)</i>                          | Financial director                 | 5/5   |                      |     |     |     | ✓  |
| <b>Non-executive directors</b>                                |                                    |   |                      |     |     |     |    |
| John Macey (57)<br><i>BBusSci (Hons), BCom (Hons), CA(SA)</i> | Independent non-executive chairman | 7/7   | ✓                    | ✓   |     |     | ✓* |
| Kyansambo Vundla (40)<br><i>BCom, HDip Acc, CA(SA)</i>        | Independent non-executive director | 7/7   | ✓*                   | ✓*  |     |     |    |
| Shelley Thomas (52)<br><i>CA(SA)</i>                          | Independent non-executive director | 7/7   | ✓                    |     |     | ✓*  |    |
| <b>Non-executive directors</b>                                |                                    |   |                      |     |     |     |    |
| Shaun Naidoo (33)<br><i>CA(SA), MBA</i>                       | Non-executive director             | 7/7   |                      | ✓   |     | ✓   | ✓  |
| Inshaaf Ross (47)<br><i>BCom</i>                              | Non-executive director             | 2/2   |                      |     |     | ✓   |    |

## Board changes during the reporting period:

- Philip Froom resigned as chief executive officer effective 30 June 2018.
- Inshaaf Ross was appointed as non-executive director effective 13 August 2018.
- Mark Anderson resigned as alternate director effective 13 August 2018.

\* Chairman.

ARC – audit and risk committee.

RNC – remuneration and nomination committee.

SEC – social and ethics committee.

IC – investment committee.

## Appointment, rotation and re-election of directors

The board has a formal and transparent policy regarding the appointment of directors to the board. While the appointments are a matter for the board, the authority to oversee the nomination and to carry out the interview process have been delegated to the remuneration and nomination committee.

Apart from a candidate's experience, knowledge, skills, availability and likely fit, the committee also considers a candidate's integrity, as well as other directorships and

commitments to ensure that the candidate will have sufficient time to discharge his/her role properly. The remuneration and nomination committee also consider race and gender diversity in its assessment in line with its gender diversity policy. Following the appointment of Inshaaf Ross, the current targets for both race and gender had been met and new targets included in the race and gender diversity policy.

New appointees are appropriately familiarised with the group's business through an induction programme. The composition of

# Corporate governance report (continued)

the board is reviewed on a regular basis to ensure ongoing compliance with the requirements set out in the Companies Act and King IV.

In accordance with the company's memorandum of incorporation, a director, having been appointed by the board since the last annual general meeting of the company, is obliged to retire and being eligible, offers him/herself for election at the next annual general meeting. Inshaaf Ross's appointments will be confirmed at the annual general meeting. A brief professional profile of Inshaaf Ross can be found on page 51 of the integrated annual report.

In line with the memorandum of incorporation, one-third of the non-executive directors are required to retire, and if available and eligible, stand for re-election at the company's annual general meeting. Those directors who have been in office the longest, as calculated from the last re-election or appointment date, are required to stand for re-election. At the annual general meeting, John Macey and Shaun Naidoo will retire and be eligible for re-election. Brief professional profiles of John Macey and Shaun Naidoo can be found on pages 50 and 51 respectively of the integrated annual report.

## Non-executive director tenure and succession

The management of the board's succession process is crucial to its sustainability. The remuneration and nomination committee ensure that, as directors retire, candidates with the necessary experience are identified to ensure that the board's competence and balance is maintained and enhanced, taking into account the group's current and future needs.

## Leadership roles and functions

### Non-executive directors

All members of the board have a fiduciary responsibility to represent the best interest of the group and all of its stakeholders. The group's non-executive directors are individuals of a high calibre and credibility who make a significant contribution to the board's deliberations and decisions. They have the necessary skills and experience to exercise judgment on areas such as strategy, performance, transformation, diversity and employment equity.

### The chairman

The chairman's role is to set the ethical tone for the board and to ensure that the board remains efficient, focused and operates as a unit. During the reporting period, John Macey's role changed from lead independent director to independent chairman. His role is separate from that of the chief executive

officer, Ronny Katz. He provides overall leadership to the board and the chief executive officer without limiting the principle of collective responsibility for board decisions.

John Macey is a member of the audit and risk committee, remuneration and nomination committee and investment committee, and chairs the investment committee. The remuneration and nomination committee considered the recommendation by King IV that the chairman not be a member of the audit and risk committee and felt that, due to his extensive financial experience, he remains a member of the audit and risk committee.

### Chief executive officer

The board appoints the chief executive officer to lead and implement the execution of the approved strategy. Ronny Katz serves as the link between management and the board and is accountable to the board. Quarterly progress reports are received from the chief executive officer on the progress made against the implementation of the strategy.

### Company secretary

The company secretary plays a vital role in the corporate governance of the group and is responsible for ensuring board compliance with procedures and regulations of a statutory nature. The company secretary ensures compliance with the JSE Listings Requirements and is responsible for the submission of the annual compliance certificate to the JSE Limited ("JSE").

The company secretary ensures that, in accordance with the pertinent laws and regulatory framework, the proceedings and affairs of the board and its members and the company itself are properly administered.

The board satisfied itself regarding Sirkien van Schalkwyk's work experience, performance, technical skills and overall competence in fulfilling her role as company secretary at the previous meeting of the board (during which time she was excused from the meeting). She is a consultant and maintains an arms-length relationship with the board. She reports to the chair on all statutory duties and functions performed relating to the governing body.

The company secretary's primary responsibilities are to:

- ensure that board procedures are followed and reviewed regularly;
- ensure applicable rules and regulations for the conduct of the affairs of the board are complied with;
- maintain statutory records in accordance with legal requirements;

- guide the board as to how its responsibilities should be properly discharged in the best interest of the company; and
- keep abreast of, and inform, the board of current and new developments regarding best practice corporate governance thinking and practice.

### Ethical and effective leadership

The board is committed to achieving its goals with integrity, high ethical standards and in compliance with all applicable laws, whilst being a responsible corporate citizen. The board has adopted a code of business conduct which is continuously reviewed and sets the tone for an ethical culture within the group. The directors are fully committed to these principles, which ensures that the business is managed according to the highest ethical standards, even beyond mere legal compliance, within its operating environment, as well as social, political and physical environment within which the group operates.

The code of business conduct is included as part of induction for new employees as well as other regular training programmes and is available on the company's website at [www.workforce.co.za](http://www.workforce.co.za). Ethics are part of our recruitment process, evaluation of performance and rewards of employees as well as the sourcing of suppliers.

No material ethical leadership and corporate citizenship deficiencies were noted. The board, through the audit and risk committee as well as the social and ethics committee, monitors compliance with Workforce's code of business conduct through various reporting channels including its internal audit department and the whistle-blower hotline. Quarterly feedback is given to the relevant committees and the board while sanctions and remedies are in place when ethical standards are breached.

Workforce received a request from a shareholder to provide the shareholders' register in terms of the Promotion of Access to Information Act, 2000 (Act 2 of 2000) ("PAIA"). The board considered the request and provided the shareholders' register in order for the shareholder to analyse their investment in the company.

### Independents and conflicts

During the year ended 31 December 2018, none of the directors had a significant interest in any contract or arrangement entered into by the company or its subsidiaries, other than as disclosed in note 24.6 to the annual financial statements.

Directors are required to inform the board timeously of conflicts or potential conflicts of interest that they may have in relation to particular items of business. Directors are obliged to excuse themselves from discussions or decisions on matters in which

they have a conflict of interest, in accordance with the conflict of interest policy that is in place. A standard agenda item is included for members to declare whether any of them have any conflict of interest in respect of a matter on the agenda. This is minuted accordingly.

When categorising the non-executive directors as independent, the interests, position, association or relationship is taken into consideration. Independent non-executive directors serving for longer than nine years are subjected to a rigorous review of their independence and performance by the board. The board makes full disclosure regarding individuals serving for more than nine years to enable shareholders to make their own assessment of directors. John Macey was appointed in 2009 and an assessment was conducted by the remuneration and nomination committee to ensure that he was still independent, in line with the requirements of King IV.

This, together with the test of being judged from the perspective of a reasonable and informed third party and other indicators in a substance-over-form basis, John Macey, Shelly Thomas and Kyansambo Vundla were found to be independent. The categorisation of directors can be found on pages 50 and 51 of the integrated annual report.

### Insider trading

No employee of the group may deal directly or indirectly in the company's shares based on unpublished price-sensitive information regarding business. No director or officer of the group may disclose trade information regarding business. Directors or officers of the group are precluded from trading in the shares of the group during a closed period or prohibited period, as determined by the board. Notification to this effect is communicated to the group's employees. A price sensitive information group policy is in place in line with the JSE Listings Requirements.

Any director wishing to trade in ordinary shares of the company, must obtain clearance from the chairman of the board or, in his absence, the chief executive officer. The directors keep the company secretary advised of all their dealings in securities and details of dealings are placed on SENS in line with the JSE Listings Requirements.

### Assessment of the board

The board of directors analyses and evaluates its effectiveness in line with King IV.

The analysis and evaluation of the effectiveness of the board of directors was conducted in the form of questionnaires that is based on the principles and practice recommendations contained in the King IV report. The questionnaire was

# Corporate governance report (continued)

completed by the directors and the results of the evaluation reported to the board.

On the basis of results gained in the analysis and evaluation, the board of directors concluded that the board is appropriately and effectively fulfilling its role and responsibilities. Weak areas were highlighted and will be addressed during the current financial year.

## Commitment to the governance principles set out in King IV

The board remains committed to the principles of King IV and ensures that its recommendations are materially entrenched into the board's internal controls, policies, terms of reference and overall procedures and processes. A King IV application register, setting out how the company has applied the principles of King IV, is available on our website, [www.workforce.co.za](http://www.workforce.co.za).

## Integrated effective control

As the custodian of governance, the board is ultimately responsible for ensuring there is effective control within the business. The board ensures effective control through a number of mechanisms, including:

### Compliance with applicable laws, regulations and governance practices

The decisions and actions taken by the board ensures that the company subscribes to full compliance with applicable laws, regulations and governance practices. This function is delegated to the social and ethics committee with financial compliance overseen by the audit and risk committee. During the financial year, the company was fully compliant with the requirements of the Companies Act and JSE Listings Requirements.

### The board charter

The roles and responsibilities of the board and individual directors are set out in the board charter which is aligned with the provisions of relevant statutory and regulatory requirements and is reviewed on an annual basis. The charter regulates the parameters within which the board operate and ensures the application of the principles of good governance in all its dealings.

### Governance structures and delegation

The company's governance structure provides for delegation of authority, while enabling the board to retain effective control. Such structures similarly support and enable the informed oversight exercised by the board. The board delegates authority to established board committees, as well as the chief executive officer, with clearly defined mandates.

## Board committees

The roles, responsibilities and composition of the board committees are described below. The responsibilities delegated to these committees are formally documented in each committee's terms of reference, which are approved by the board and reviewed on an annual basis. After each committee meeting, committee chairmen report back to the board, which facilitates transparent communication between directors and ensures that all aspects of the board's mandate are addressed.

The terms of reference are subject to change as and when required by the board in order to accommodate the company's changing needs. Roles and associated responsibilities and the composition of membership across committees are considered holistically. All committees have a minimum of three members and, as a whole, have the necessary knowledge, skills, experience and capacity to execute their duties effectively. The chairman of each board committee reports at each scheduled meeting of the board, and minutes of board committee meetings are provided to the board.

Both the directors and the members of the board committees are supplied with full and timely information that enables them to properly discharge their responsibilities. All directors have unrestricted access to all group information.

The chairman of each board committee is required to attend annual general meetings to answer questions raised by shareholders.

### Audit and risk committee

In reviewing the committee composition during the year, it was decided that, due to the size of the company, the audit committee and risk committee would remain one committee. However, the agenda is divided into two separate sections so as to ensure that both audit and risk management responsibilities are attended to.

The committee, appointed by the board and approved by shareholders at the company annual general meeting on 7 May 2018, comprises three independent non-executive directors, all of whom satisfied the requirements of section 94(4) of the Companies Act. As a collective and having regard to the size and circumstances of the group, the committee is adequately skilled and all members possess the appropriate financial and related qualification, skills, financial expertise and experience required to discharge their responsibilities.

During the reporting period, John Macey was appointed as interim chairman on 30 June 2018 and then stepped down as chairman of the committee and Kyansambo Vundla assumed chairmanship of the committee. John Macey will remain a member of the committee. The committee acknowledges the recommendation by King IV that the chairman of the board

should not be a member of the committee, but due to John Macey's extensive financial experience, it was decided that he remain a member of the committee.

The chief executive officer, group financial director, partner of the external auditors and the internal auditor attend meetings by invitation. The board is satisfied that the independence, experience and qualifications of each member enable them to fulfil the committee's mandate. In addition to the quarterly meetings, the committee meets at least once a year with the company's internal and external auditors, without management being present.

### Summarised roles and responsibilities

- Providing the board with additional assurance regarding the efficiency and reliability of the financial information used by the directors to assist them in the discharge of their duties;

- Reviewing interim and annual financial statements, the integrated annual report and any other external reports issued by the organisation;
- Overseeing the internal audit function;
- Ensuring that significant business, financial and other risks have been identified and are being managed suitably;
- Ensuring independence of external audit and overseeing the external audit process;
- Ensuring good standards of governance, reporting and compliance are in operation; and
- Overseeing the group's risk management profile.

During the 2018 financial year, the committee met on four occasions and meetings were scheduled in line with the group's financial reporting cycle.

| Name and qualifications                                  | Age   | Appointed     | Designation                                 | Attendance   |
|--|---|---------------|---|--------------|
| Kyansambo Vundla<br><i>BCom, HDip Acc, CA(SA)</i>        | 40  | November 2010 | Independent non-executive director chairman | 3/4 meetings |
| John Macey<br><i>BBusSci (Hons), BCom (Hons), CA(SA)</i> | 57  | November 2008 | Independent non-executive director member   | 4/4 meetings |
| Shelley Thomas<br><i>CA(SA)</i>                          | 52  | December 2016 | Independent non-executive director member   | 4/4 meetings |
| Standing invitees  | Financial director, group financial manager, external auditor, internal auditor, company secretary. |               |   |              |

The committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period.

Refer to page 64 of the annual financial statements for the audit and risk committee report.

### Group IS steering committee

Within the group, the group IS steering committee is the governing body responsible for the governance of technology and information and sets the direction for how technology should be approached and addressed. The strategic intent of group IT is documented and communicated in the group IT strategy and is aligned with the enterprise strategy.

Following the resignation of Martin Coetsee as chief information officer, Keith Thomas was appointed as chief information officer in October 2018.

The group IS steering committee meets formally at least four times a year to report on their duties in accordance with its

terms of reference as approved by the board. The committee reports to the board via the audit and risk committee.

### Social and ethics committee

The composition of the committee was reviewed during the reporting period and it was decided to reduce the number of members and have experts as invitees. Effective 9 March 2018, the committee composition comprised Shelley Thomas, Shaun Naidoo and Philip Froom.

Following the resignation of Philip Froom as a member of the committee, Inshaaf Ross was appointed a member effective 13 August 2018. As at 31 December 2018, the committee therefore comprises Shelley Thomas, Shaun Naidoo and Inshaaf Ross.

### Summarised roles and responsibilities

- Planning, implementing and monitoring the group's strategy for transformation;
- Monitoring compliance with legislation;

## Corporate governance report (continued)

- Monitoring employment equity and fair labour practices;
- Monitoring good corporate citizenship and the group's contribution to the development of communities in which it operates; and
- Monitoring ethics and business conduct.

The social and ethics committee met three times during the reporting period and held a workshop in April 2018.

| Name and qualifications     | Age  | Appointed     | Designation                               | Attendance   |
|-----------------------------|--|---------------|---|--------------|
| Shelley Thomas<br>CA(SA)    | 52   | December 2016 | Independent non-executive director member | 4/4 meetings |
| Shaun Naidoo<br>CA(SA), MBA | 33   | March 2018    | Non-executive director                    | 1/3 meetings |
| Inshaaf Ross<br>BCom        | 47   | August 2018   | Non-executive director                    | 2/2 meetings |
| Standing invitees           | Financial director, corporate affairs executive, company secretary |               |   |              |

*Committee changes during the reporting period:*

- Frieda Hall, Craig Katz, Sean Momberg and Willie van Wyk stepped down as members effective 9 March 2018.
- Shaun Naidoo was appointed a member effective 9 March 2018.
- Philip Froom resigned as chief executive officer and member effective 30 June 2018.
- Inshaaf Ross was appointed as non-executive director and member effective 13 August 2018.

The committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period.

Refer to pages 56 and 57 of the integrated annual report for the social and ethics committee report.

### Transformation committee

The transformation committee met three times during the reporting period. Subsequent to year-end, it was decided to dissolve the committee and include the transformation responsibilities directly under the social and ethics committee. The committee will now be called the social ethics and transformation committee.

### Corporate social investment committee

The members of the group's corporate social investment committee comprise representatives of each subsidiary. The committee met three times during the reporting period.

### Employment equity committee

During the reporting period, separate employment equity committees were established for each subsidiary of the group to ensure greater achievement of employment equity targets.

### Remuneration and nominations committee

In reviewing the committee composition during the year, it was decided that, due to the size of the company, the remuneration committee and nomination committee would remain one committee.

During the reporting period, the committee composition was strengthened with the appointment of Inshaaf Ross in November 2018. The committee therefore comprises Kyansambo Vundla, John Macey, Shaun Naidoo and Inshaaf Ross, being two independent members and two non-executive directors.

### Summarised roles and responsibilities

- Identifying and nominating new directors for approval by the board;
- Ensuring that appointments to the board are formal and transparent;
- Approving the classification of directors as independent;
- Overseeing induction and training of directors and conducting annual performance reviews of the board and board committees;
- Overseeing an appropriate separation between executive, non-executive and independent directors;
- Ensuring proper and effective functioning of the group's board committees; and
- Reviewing the board's structure, the size and composition of the various board committees and making recommendations.

The committee met three times during the reporting period, one meeting being a special meeting.

| Name and qualifications                                  | Age  | Appointed     | Designation                        | Attendance   |
|--|--|---------------|------------------------------------|--------------|
| Kyansambo Vundla<br><i>BCom, HDip Acc, CA(SA)</i>        | 40   | November 2010 | Independent non-executive chairman | 2/3 meetings |
| John Macey<br><i>BBusSci (Hons), BCom (Hons), CA(SA)</i> | 57   | November 2008 | Independent non-executive member   | 3/3 meetings |
| Shaun Naidoo<br><i>CA(SA), MBA</i>                       | 33   | June 2017     | Non-executive director             | 3/3 meetings |
| Inshaaf Ross<br><i>BCom</i>                              | 47   | August 2018   | Non-executive director             | n/a          |
| Standing invitees  | Chief executive officer, company secretary |               |                                    |              |

Committee changes during the reporting period:

- Inshaaf Ross was appointed as member effective 30 November 2018.

Refer to page 54 for the remuneration report by the remuneration and nominations committee.

## Investment committee

The investment committee met twice during the reporting period to consider acquisition opportunities. During the reporting period, Philip Froom resigned as member effective 30 June 2018. The committee therefore comprises John Macey, Shaun Naidoo, Ronny Katz and Willie van Wyk. The merger and acquisition executive is a standing invitee to the committee.

Details of the members are included below.

| Name and qualifications                                  | Age  | Appointed     | Designation             | Attendance   |
|--|--|---------------|-------------------------|--------------|
| John Macey<br><i>BBusSci (Hons), BCom (Hons), CA(SA)</i> | 57   | November 2017 | Independent chairman    | 2/2 meetings |
| Shaun Naidoo<br><i>CA(SA), MBA</i>                       | 33   | November 2017 | Non-executive director  | 2/2 meetings |
| Ronny Katz<br><i>B.Com, LLB, MBA</i>                     | 76   | November 2017 | Chief executive officer | 2/2 meetings |
| Willie van Wyk<br><i>CA(SA)</i>                          | 47   | November 2017 | Financial director      | 2/2 meetings |
| Standing invitees  | Mergers and acquisition executive, company secretary |               |                         |              |

Committee changes during the reporting period:

- Philip Froom resigned as a member effective 30 June 2018.

## Board of directors



**John Macey**  
Independent non-executive  
director and chairman

**BBusSci (Hons), BCom  
(Hons), CA(SA) RA**

John completed his articles at Deloitte & Touche in 1990. He has over 30 years of experience in finance and financial management. He has been financial director of manufacturing companies, lectured financial and management accounting at the University of Cape Town, advised on corporate finance deal structuring and acted as an outside advisor on technical accounting issues to accounting and auditing firms. He sits on the boards and audit committees of three listed groups. John was appointed to the Workforce Holdings Limited board in June 2009.

Independent chairman



**Ronny Katz**  
Chief executive officer

**BCom, LLB, MBA**

After completing his legal studies, Ronny joined City Merchant Bank and worked in the investment division before completing an MBA degree in 1968 at the University of Cape Town, after which he purchased the legal practice of David Borkum. In 1972, Ronny started Workforce and has been responsible for its growth and development since then. Ronny was appointed chairman of Workforce Holdings Limited in October 2006. Following the resignation of Philip Froom, Ronny stepped down as executive chairman to fulfill the role of chief executive officer effective 21 August 2018.

Executive directors



**Willie van Wyk**  
Financial director

**BCompt (Hons), CA(SA)**

Willie completed his articles with Deloitte & Touche in 1996 and following that, held a number of financial management positions with Nola, a division of Foodcorp for three years and Nampak for five years. Willie joined the Workforce group in 2007 and was appointed a director of Workforce Holdings Limited in June 2008.



**Shaun Naidoo**  
Non-executive director

CA(SA), MBA

Shaun is a Chartered Accountant and holds an MBA from the Gordon Institute of Business Science. In his current role as Corporate Finance Director at Vunani Limited, he is involved in the execution of corporate transactions, B-BBEE structuring, balance sheet restructuring, valuations, IFRS and tax advisory and capital raising. Shaun was appointed to the Workforce Holdings Limited board in June 2017.



**Inshaaf Ross**  
Non-executive director

Bcom  
(Business management)

Inshaaf worked in the land surveying and architectural industries between 1991 and 1998. In 1998, she joined Vunani (then African Harvest) and has worked across the group in several capacities. She is currently head of human resources at Vunani Limited. She is a member of Vunani's social and ethics committee as well as their employment equity committee. Inshaaf joined the board of Workforce Holdings Limited in August 2018 as a non-executive director.



**Kyansambo Vundla**  
Independent  
non-executive director

BCom (Accounting),  
HDip Acc, CA(SA)

Kyansambo has 15 years of experience in finance and financial management. She completed her articles at BDO Spencer Steward and has been a chief financial officer in the financial services industry for the last nine years. Kyansambo is currently the chief financial officer for the Africa and Asia division of MMI Holdings. She also served as Chairperson of the Bonitas Marketing Company's audit and risk committee as well as a member of the audit and risk committee of Bonitas Medical Aid Fund. Kyansambo was appointed to the Workforce Holdings Limited board in November 2010.



**Shelley Thomas**  
Independent  
non-executive director

CA(SA)

Shelley is a qualified chartered accountant. She completed her articles at Kessel Feinstein and is currently self-employed. She was previously head of forensic, compliance, and governance at Protect-A -Partner International. She was also the financial director at Ubambo Investment Holding Limited and was company secretary for two Cell C companies, namely Cellsaf and 3C Telecommunications. Shelley has over 20 years of experience sitting on boards and committees in both the public and private sectors. Shelley was appointed to the Workforce Holdings Limited board in December 2016.

## Non-executive directors

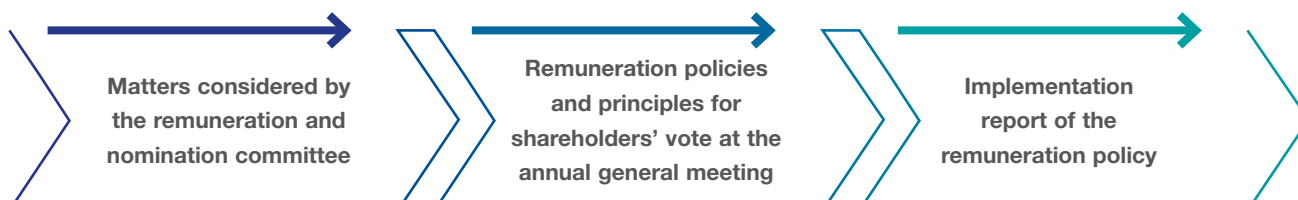
## Independent non-executive directors

Mark Anderson, BCom (Hons), CA(SA) – Alternate non-executive director – Resigned effective 13 August 2018.

Philip Froom, BCom (with distinction), BCom Honours (Taxation), CA(SA), CFA – Chief executive officer – Resigned effective 30 June 2018.

# Remuneration and nominations committee report

This report comprises three sections:



In reviewing the committee's composition during the year, it was decided that, due to the size of the company, the remuneration committee and nomination committee would remain one committee.

## Appointment of directors to the board

Apart from a candidate's experience, availability and likely fit, the committee also considers a candidate's integrity, as well as other directorships and commitments to ensure that the candidate will have sufficient time to discharge his/her role properly. The remuneration and nomination committee also

considers race and gender diversity in its assessment in line with its race and gender diversity policy. Following the appointment of Inshaaf Ross, the current targets for both race and gender had been met and new targets included in the race and gender diversity policy.

## Remuneration and nomination committee members

During the reporting period, the committee composition was strengthened with the appointment of Inshaaf Ross in November 2018.

The committee therefore comprises the following at 31 December 2018:

| Name and qualifications                                  | Age  | Appointed     | Designation          | Experience   | Attendance   |
|--|--|---------------|----------------------|--|--------------|
| Kyansambo Vundla<br><i>BCom, HDip Acc, CA(SA)</i>        | 40   | November 2010 | Independent chairman | Over 24 years of experience in the financial services industry.  | 2/3 meetings |
| John Macey<br><i>BBusSci (Hons), BCom (Hons), CA(SA)</i> | 57   | November 2008 | Independent member   | Over 30 years of experience in finance and financial management.   | 3/3 meetings |
| Shaun Naidoo<br><i>CA(SA), MBA</i>                       | 33   | March 2018    | Non-executive member | Execution of corporate transactions, B-BBEE structuring, balance sheet restructuring, valuations, IFRS and tax advisory and capital raising. | 3/3 meetings |
| Inshaaf Ross<br><i>BCom</i>                              | 47   | August 2018   | Non-executive member | Over 20 years' experience in human resources and related areas.  | N/A          |
| Standing invitees  | Chief executive officer, company secretary |               |                      |  |              |

Committee changes during the reporting period:

- Inshaaf Ross was appointed as member effective 30 November 2018.

The chairman of the board is not eligible for appointment as chairman of the committee and John Macey is only a member of the committee but will preside as chairman when the committee fulfils its oversight responsibilities on nomination matters and board/director interactions.

## Evaluation of the committee

The committee analyses and evaluates its effectiveness in line with King IV. The analysis and evaluation of the committee was conducted by way of a questionnaire that is based on the principles and practice recommendations in the King IV report. The questionnaires were completed by members and the standing invitee and reported to the board via the committee.

Based on the analysis, the committee concluded that the committee is appropriately and effectively fulfilling its role and

responsibilities. Weak areas were identified and will be addressed in the current financial year.



**Kyansambo Vundla**

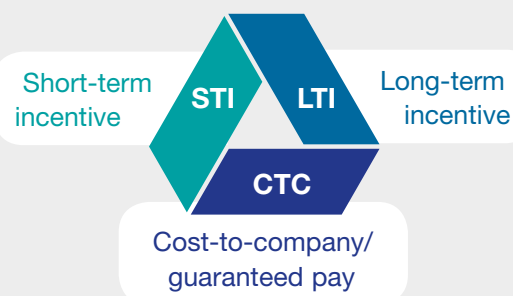
*Chairman of the remuneration and nomination committee*

26 March 2019

## Remuneration policy

### Background statement

The group's remuneration policy aims to attract, retain and motivate skilled and performing employees to execute the group's strategy. The group offers an integrated remuneration and reward model, which comprises:



Due to the diversified and decentralised business model, the group has different remuneration models for senior management. Workforce currently does not formally benchmark its remuneration percentiles.

## Remuneration structure

| Element                | Cost-to-company   |  | Variable pay  |   |
|------------------------|---|--|---|---|
|                        | Base pay  | Benefits   | STI   | LTI   |
| <b>Workforce Group</b> | <ul style="list-style-type: none"> <li>Monthly salary</li> <li>Hourly wage</li> </ul> | <ul style="list-style-type: none"> <li>Medical aid</li> <li>Provident fund</li> <li>Funeral benefit</li> <li>Travel allowance</li> </ul>   | <ul style="list-style-type: none"> <li>Annual incentive</li> <li>Bonus scheme</li> </ul>  | <ul style="list-style-type: none"> <li>Share appreciate rights</li> <li>Performance shares</li> </ul>   |
| <b>Objective</b>       | <ul style="list-style-type: none"> <li>Retention and attraction</li> </ul>            | <ul style="list-style-type: none"> <li>Retention in terms of the comprehensiveness of benefits offered</li> <li>Attraction to offer similar benefits to prospective employees</li> </ul> | <ul style="list-style-type: none"> <li>Reward company and group performance</li> <li>Reward individual performance</li> <li>Retention/attraction recognition</li> </ul> | <ul style="list-style-type: none"> <li>Reward company and group performance</li> <li>Reward individual performance</li> <li>Retention/attraction recognition</li> <li>Recognition of group's long-term success</li> </ul> |

# Remuneration and nominations committee report

(continued)

## Short-term incentive

The group awards management and most salaried employees on an annual performance incentive. The actual value awarded is subject to the achievement of predetermined thresholds relating to the performance and position of the group, cluster, segment and individual performance during the reporting period.

The executive directors are appraised against a set of objectives and key performance indicators to ensure they are remunerated fairly and responsibly. Executive directors and senior managers are measured and remunerated according to their alignment, achievement and contribution to the group's strategy, financial performance, segment performance and individual performance.

In its evaluation of performance of individuals, the remuneration and nomination committee considers external and internal factors that may have contributed to the thresholds not being met. The committee may from time to time consider discretionary short-term bonuses for an individual or cluster.

All payments in terms of the qualitative and quantitative portion of the short-term incentive scheme are based on predetermined targets.

## Long-term incentive

The long-term incentive plan ("LTIP") forms part of the variable compensation and is used to attract, retain and motivate employees who influence the long-term sustainability and strategic objectives of the group. The purpose is to foster sustainable performance or value creation over the long term, which is aligned to the group's strategy and which enhances stakeholder value. Its main characteristic is the promise to deliver value over a future vesting period, once performance criteria are met or exceeded.

The board mandated the remuneration and nomination committee to review the LTIP going forward to ensure that it still meets the objectives set and subsequently a new scheme is being considered.

## Policy on directors' fees and remuneration

The directors are appointed to the board to bring competencies and experience appropriate to achieving the group's objectives.

## Increases

At an individual employee level, the annual CTC increases are determined by the individual's pay relative to the band he/she is in, as well as the performance of the individual in the role. The average increase for 2018 was 6%, payable to employees subject to a performance evaluation.

## Non-executive directors

It is the group's policy to identify, attract and retain non-executive directors who can add significant value to Workforce. The board applies principles of good corporate governance relating to directors' remuneration and also keeps abreast of changing trends. Governance of directors' remuneration is undertaken by the committee.

The committee takes cognisance of market norms and practices as well as additional responsibilities placed on the board members by new legislation and corporate governance principles.

The fees for non-executive directors is excluding Value Added Tax ("VAT") and is recommended by the committee and will be approved by the shareholders at the annual general meeting in May 2019.

Non-executive directors receive a base fee for their main board membership and an attendance fee per meeting. Board members only receive fees for meetings they attend as well as an ad hoc hourly fee where special attention was given to actions outside of the normal responsibilities.

The policy on remuneration for non-executive directors is that this should:

- be market-related (having regard to the median fees paid and number of meetings attended by non-executive directors of companies of similar size and structure to similar sectors); and
- not be linked to the share price of Workforce.

The group pays for all travel and accommodation expenses incurred by directors to attend board and committee meetings.

Non-executive directors do not receive bonuses or share options, recognising that this can create potential conflicts of interest which can impair the independence which non-executive directors are expected to bring to bear in decision-making by the board.

Except for an increase in the chairman's retainer fee, shareholders will be requested to approve a 6% increase for 2019 as set out in the notice of annual general meeting on page 134.

## Voting and shareholder engagement

In order to actively promote fair, responsible and transparent remuneration and remuneration reporting, Workforce encourages engagement with shareholders on remuneration-related matters. The remuneration policy as well as the implementation report will be tabled for two separate non-binding advisory votes by shareholders at the annual general meeting.

The committee will initiate shareholder engagement with dissenting shareholders, should 25% or more of the shareholders vote against either or both the remuneration policy or the implementation report.

## Remuneration implementation report

The remuneration implementation report details the outcomes following the implementation of the approved remuneration policy detailed on pages 53 to 54 of the integrated annual report.

### 2018 total cost of employees ("TCOE") increases

The TCOE salaries for executive directors, as stated in notes 24.5 on page 119 of the audited financial statements, and other employees of the group have been increased as follows effective 1 July 2018:

|                         | <b>TCOE 2018*</b><br><b>% increase</b> | TCOE 2017<br>% increase |
|-------------------------|--|-------------------------|
| Chief executive officer | <b>5,98</b>                            | 3,82                    |
| Financial director      | <b>6,69</b>                            | 4,65                    |

\* Increase in basic TCOE, excluding bonuses and incentives.

Refer to note 24.5 on page 119 for a detailed breakdown of executive directors and prescribed officers' remuneration.

The TCOE as earned by executive directors and prescribed officers for the period 2018 are as follows:

|                       | <b>TCOE 2018</b><br><b>R'000</b> | TCOE 2017<br>R'000 |
|-----------------------|----------------------------------|--------------------|
| Executive directors   | <b>5 494*</b>                    | 5 196*             |
| Prescribed officers** | <b>18 861</b>                    | 17 631             |

\* Philip Froom resigned in June 2018. To ensure comparability, his salary has been excluded.

\*\* Prescribed officers include eight executive committee members.

### 2018 annual incentive bonus

The awarding of annual incentive bonuses for the year ended 31 December 2018 were in line with the group's remuneration policy and stipulated allocation levels, which payments have been detailed at page 119 of the integrated report under note 24.5 "remuneration implementation report".

The total short-term incentives ("STI") payable to members of the executive directors and the prescribed officers are as follows:

|                      | <b>2018 annual incentive bonus</b><br><b>R'000</b> | 2017 annual incentive bonus<br>R'000 |
|----------------------|--|--------------------------------------|
| Executive directors  | <b>570</b>   | 500**                                |
| Prescribed officers* | <b>3 753</b>                                       | 3 588                                |

\* Prescribed officers include eight executive committee members.

\*\* Philip Froom resigned in June 2018. To ensure comparability, his salary has been excluded.

### 2018 Long-term incentives ("LTI")

The awarding of long-term retention incentives as issued in 2015 vested in February 2017 and was in line with the group's remuneration policy and stipulated allocation levels. Details appear on page 121 of the integrated report under note 25.1 "director and prescribed officers remuneration".

There was no LTI remuneration made to executive directors and prescribed officers for the period 2018:

|                      | <b>2018 LTIP payments</b><br><b>R'000</b> | 2017 LTIP payments<br>R'000 |
|----------------------|---|-----------------------------|
| Executive directors  | –   | 446                         |
| Prescribed officers* | –   | 891                         |

### Non-executive directors' remuneration

The participation of non-executive directors in the group is essential to the group achieving its strategic objectives and non-executive director's fees are therefore recommended by the executive directors and remuneration and nomination committee with this in mind.

In accordance with the Companies Act, and the company's memorandum of incorporation ("MOI"), non-executive directors' fees are approved by the shareholders at the annual general meeting. The current fee levels are approved by shareholders at the annual general meeting to be held on 6 May 2018 and is stated on page 130 of the notice of annual general meeting included in this integrated annual report.

The total amount spent on non-executive directors' fees for 2018 and 2017 are as follows:

|                               | <b>2018</b><br><b>R'000</b> | 2017<br>R'000 |
|-------------------------------|-----------------------------|---------------|
| Non-executive directors' fees | <b>673</b>                  | 613           |

### Directors' service contracts

There are no fixed-term service contracts for executive or non-executive directors. The remuneration and nomination committee reviewed the employment contracts of the chief executive officer and financial director and found this still to be appropriate to meet the needs of the company.

# Social and ethics committee report

This report is prepared in compliance with the requirements of the Companies Act, and describes how the committee discharged its responsibilities in respect of the financial year ended 31 December 2018 and will be presented to the shareholders at the annual general meeting to be held on 6 May 2019.

## Social and ethics committee members

The composition of the committee was reviewed during the reporting period and it was decided to reduce the number of members and have experts as invitees. Effective 9 March 2018, Frieda Hall, Craig Katz, Sean Momberg and Willie van Wyk stepped down as members and Shaun Naidoo was appointed as a member. Following the resignation of Philip Froom as a member of the committee, Inshaaf Ross was appointed a member effective 13 August 2018.

The social and ethics committee met three times during the reporting period and held a workshop in April 2018. The composition of the committee as at 31 December 2018 is as follows:

| Name and qualifications     | Age   | Appointed     | Designation          | Experience   | Attendance   |
|-----------------------------|---|---------------|----------------------|--|--------------|
| Shelley Thomas<br>CA(SA)    | 52  | December 2016 | Independent member   | Over 25 years of experience in finance and audit work.   | 4/4 meetings |
| Shaun Naidoo<br>CA(SA), MBA | 33  | March 2018    | Non-executive member | Execution of corporate transactions, B-BBEE structuring, balance sheet restructuring, valuations, IFRS and tax advisory and capital raising. | 1/3 meetings |
| Inshaaf Ross<br>BCom        | 47  | August 2018   | Non-executive member | Over 20 years' experience in human resources and related areas.  | 2/2 meetings |
| Other standing invitees     | Financial director, corporate affairs executive, group HR manager, company secretary. |               |                      |  |              |

Committee changes during the reporting period:

- Frieda Hall, Craig Katz, Sean Momberg and Willie van Wyk stepped down as members effective 9 March 2018.
- Shaun Naidoo was appointed a member effective 9 March 2018.
- Philip Froom resigned as chief executive officer and member effective 30 June 2018.
- Inshaaf Ross was appointed as non-executive director and member effective 13 August 2018.

## Responsibilities of the committee

The social and ethics committee terms of reference were reviewed during the reporting period. In accordance with the terms of reference and annual work plan, the committee fulfils the functions and responsibilities assigned to it in terms of the company's compliance with the applicable requirements of Regulation 43 of the Companies Act, and includes the following functions:

- (a) To monitor the company's activities, having regard to any relevant legislation, other legal requirements or prevailing codes of best practice, with regards to matters relating to:
- (i) Social and economic development, including the company's standing in terms of the goals and purposes of:
- the 10 principles set out in the United Nations Global Compact Principles;
  - the OECD recommendations regarding corruption; the Employment Equity Act; and
  - the B-BBEE Act;

- (ii) Good corporate citizenship, including the company's:
- promotion of equality, prevention of unfair discrimination, and reduction of corruption;
  - contribution to development of the communities in which its activities are predominantly conducted or within which its products or services are predominantly marketed; and
  - record of sponsorship, donations and charitable giving;
- (iii) the environment, health and public safety, including the impact of the company's activities and of its products or services;
- (iv) consumer relationships, including the company's advertising, public relations and compliance with consumer protection laws; and
- (v) labour and employment, including:
- the company's standing in terms of the International Labour Organisation protocol on decent work and working conditions;

- the company's employment relationships, and its contribution toward the educational development of its employees;
- to draw matters within its mandate to the attention of the board as occasion requires; and
- to report, through one of its members, to shareholders at the company's annual general meeting on the matters within its mandate.

## Performance for 2018

### Ethics and business conduct

The group's code of business conduct which embodies our guiding principles and values, was reviewed during the year and confirmed to be relevant and effective.

The company's "whistleblower and whistleblower protection policy", implemented during 2013, was reviewed during the year and confirmed to be relevant and effective, providing an appropriate balance between encouraging reporting and discouraging malicious and frivolous reporting.

Also reviewed and confirmed to be appropriate was the group's "anti-fraud, theft, corruption, cyber-crime and associated internal irregularities policy" that encourages ethical conduct and requires all employees to act honestly and with integrity at all times, to safeguard the group's reputation and to protect company resources.

### Labour

Our employment equity policy embodies our commitment to implementing employment equity across the group. During the year under review, further attention was given to ensure our compliance with the Employment Equity Act and various initiatives were implemented to the improvement of employment equity performance and achievement of numerical goals and targets.

Skills development plays a big role in our business and remains an area of focus and the various skills development programmes undertaken by the group are reported on more fully in the people section of this integrated annual report.

### Socio-economic development

The group's commitment is to foster good relations with the communities in which it operates and continues to pursue its business philosophy which is to draw the staff it needs from the local communities in which it operates and in so doing provides much-needed employment and other socio-economic benefits to local communities.

### Transformation

Workforce remains focused on achieving its transformation goals and objectives through the implementation of strategies and the achievement of greater transformation across all operating divisions of the organisation and in line with the amended B-BBEE codes of good practice.

Our areas of focus for transformation are aligned to the various B-BBEE scorecard pillars and include:

- Ownership;
- Management control;
- Employment equity;
- Skills development; and
- Enterprise and supplier development.

### Socio-economic development

During the reporting period, Workforce Holdings Limited achieved a Level 4 B-BBEE rating.

### Stakeholder management

The stakeholder engagement framework outlines the group's guiding principles for stakeholder engagement which are congruent with the values espoused in the group's formal code of business conduct. In Workforce's decentralised business environment, business units use these principles to guide and govern their stakeholder engagement processes.

Refer to pages 36 and 37 for details regarding stakeholders engaged during the reporting period.

### Environment

The group has an approved environmental policy, which aims to reduce the negative environmental impacts of the group's trading entities. While the group has a low impact on the natural environment and is classified as a "low impact business", we are still fully committed to mitigating our impacts in order to respond to the challenge of climate change.

### Evaluation of committee performance

The committee analyses and evaluates its effectiveness in line with King IV. The analysis and evaluation of the committee was conducted by way of a questionnaire that is based on the principles and practice recommendations in the King IV report. The questionnaires were completed by members and invitees and reported to the board via the committee.

Based on the analysis, the committee concluded that the committee is appropriately and effectively fulfilling its role and responsibilities.

High ratings were given to the level of independence of the current committee composition.



**Shelley Thomas**

*Social and ethics committee chairman*

26 March 2019

# ANNUAL FINANCIAL STATEMENTS

## Directors' responsibility statement

The directors are responsible for the preparation and fair presentation of the company and group annual financial statements, comprising the directors' report, statements of financial position at 31 December 2018, and the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, a summary of significant accounting policies and the notes to the financial statements, in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies Act 71 of 2008 as amended ("the Companies Act").

The directors' responsibility includes: Designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management as well as the preparation of the supplementary schedules included in these financial statements. The directors have made an assessment of the company's and group's ability to continue as a going concern and have no reason to believe the business will not be a going concern in the year ahead.

The directors have reviewed the group's cash flow forecast for the year to 31 December 2019 and, in light of this review and the current financial position, they are satisfied that Workforce Holdings Limited and its subsidiaries have, or have access to, adequate resources to continue in operational existence for the foreseeable future and have continued to adopt the going concern basis in preparing the financial statements.

The auditor is responsible for reporting on whether the annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

## Directors' approval

The directors acknowledge and accept full responsibility for the preparation and integrity of the information presented in the company and group annual financial statements for the year ended 31 December 2018.

The company and group annual financial statements of Workforce Holdings Limited, which have been prepared in accordance with the Companies Act, and comply with International Financial Reporting Standards ("IFRS"), were approved by the board of directors on 26 March 2019 and are signed on their behalf by:



**John Macey**  
*Independent chairman*




**Ronny Katz**  
*Chief executive officer*



**Willie van Wyk**  
*Group financial director*

## Declaration by the company secretary

In terms of section 58(2) of the Companies Act, and Companies Regulations 2011, I certify that, to the best of my knowledge, Workforce Holdings Limited has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Act and further, that such returns are true, correct and up to date.



**Sirkien van Schalkwyk**  
*Company secretary*

Johannesburg

26 March 2019

# Independent auditor's report

To the shareholders of Workforce Holdings Limited

## Report on the audit of the consolidated financial statements

### Opinion

We have audited the consolidated financial statements of Workforce Holdings Limited and its subsidiaries ("the group") set out on pages 72 to 127 which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the group as at 31 December 2018, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the group in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors ("IRBA Code") and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key audit matter  | How our audit addressed the key audit matter  |
|---|---|
| <p><b>Impact of adoption of IFRS 9: <i>Financial Instruments</i></b></p> <p>The group adopted the accounting standard IFRS 9: <i>Financial Instruments</i> during the financial year. The standard introduces new requirements around two main aspects of how financial instruments are treated, namely measurement and classification as well as impairment.</p> <p>IFRS 9 introduces new impairment rules which prescribe a new, forward looking, expected credit loss ("ECL") impairment model which takes into account reasonable and supportable forward-looking information, which will generally result in the earlier recognition of impairment provisions.</p> <p>We focused on this area because there are a number of significant management-determined judgements including:</p> <ul style="list-style-type: none"> <li>■ Determining the criteria for a significant increase in credit risk;</li> <li>■ Techniques used to determine the probability of default ("PDs") and loss given default ("LGD"); and</li> <li>■ Forward looking assumptions.</li> </ul> | <p>We performed the following audit procedures:</p> <ul style="list-style-type: none"> <li>■ Evaluated the appropriateness of the application of either a specific expected credit loss model or a simplified approach to the relevant financial assets by understanding the nature of the financial assets and comparing the application to the requirements of the standard.</li> </ul> <p>For financial assets assessed under the general approach:</p> <ul style="list-style-type: none"> <li>■ For a sample of financial assets, tested whether the significant increase in credit risk and default definitions were appropriately applied and the resulting impact of this on the staging of the instruments;</li> <li>■ Verified critical data inputs in assessing the reasonableness of the PD against underlying evidence;</li> <li>■ Tested the loss given default in the new ECL calculation for a sample of instruments;</li> </ul> |

| Key audit matter  | How our audit addressed the key audit matter  |
|---|---|
| <p>This also includes additional complexity as the use of hindsight is not permitted, which can be difficult to apply in practice.</p> <p>These judgements required new models to be built and implemented to measure the expected credit losses on certain financial assets measured at amortised cost. There is a large increase in the data inputs of these models which increases the risk that data used to develop assumptions and operate the model is not complete or accurate.</p> <p>Differences between the previously reported carrying amounts and the new carrying amounts of financial instruments as of 1 January 2017 has been recognised in the opening retained earnings.</p> <p>At 31 December 2018 the group had recognised R139 million in provisions for expected credit losses which relate to two main types of financial assets:</p> <ul style="list-style-type: none"> <li>Trade receivables; and</li> <li>Advances.</li> </ul> <p>The group utilised “the simplified approach” as allowed under IFRS 9 for the trade receivables. Under the simplified approach the provision combines the historic loss rate with forward-looking assumptions which take management’s view of the future of the customer, along with other factors into account.</p> | <ul style="list-style-type: none"> <li>For a sample of exposures, tested the appropriateness of the exposure at default, including the consideration of repayments in the cash flows and the resulting arithmetical calculations by corroborating to source documentation and historical data;</li> <li>Tested the opening balance adjustment for arithmetical accuracy and corroborated a sample of the data inputs; and</li> <li>Compared managements assumptions, judgements and methodologies to the prior year to confirm no application of hindsight in the ECLs.</li> </ul> <p>For financial assets assessed under the simplified approach:</p> <ul style="list-style-type: none"> <li>We obtained an understanding of the group’s approach for estimating ECL;</li> <li>We tested the application of any specific provisions for customers which required one;</li> <li>We tested the calculation of the historical loss rate;</li> <li>Recalculated the loss rate for different ageing buckets; and</li> <li>For a sample of exposures, we tested the accuracy of the group’s staging.</li> </ul> <p>As a result of the above audit procedures, no material differences were noted.</p> <p>We evaluated the financial statement disclosures to determine if they were in accordance with the requirements of the standard.</p> |
| <p><b>Information systems general control environment</b></p> <p>Information systems are seen as an integral element of the operations of the group. Through the testing of general IT controls in the audit, we obtained audit evidence that elements of the general IT control environment were not functioning effectively. The increased level of risk associated with the internal control environment caused us to modify our planned audit approach.</p>   | <p>Our audit procedures were designed in such a manner so as to limit the reliance placed on the functioning of the general IT control environment. The nature and extent of our audit procedures was adapted in order to obtain assurance which reduced our audit risk to an acceptable level, taking into account the increased assessed control risk.</p> <p>We consider the audit evidence obtained from the adapted audit approach to be sufficient and appropriate.</p>   |
| <p><b>Impairment of goodwill and intangible assets</b></p> <p>Goodwill and certain intangible assets arise as a result of acquisitions by the group. The goodwill within the group amounts to R191 million and the intangible assets in the group amount to R74 million. The directors conducted their annual impairment test to assess the valuation of the goodwill and to consider whether there are indicators of impairment with respect to other intangible assets. In order to establish whether an impairment exists, fair value less costs to sell or the value in use of the identified cash-generating unit is determined and compared to the net book value of the goodwill and other intangible assets.</p>  | <p>We focused our testing of the impairment of goodwill and other intangible assets on the key assumptions made by the directors. Our audit procedures included:</p> <ul style="list-style-type: none"> <li>critically evaluating the determination of the cash-generating units;</li> <li>evaluating whether the model used to calculate the fair value less costs to sell and value in use of the individual cash-generating units complies with the requirements of IAS 36: <i>Impairment of Assets</i>;</li> <li>validating the assumptions applied and inputs in the respective models by comparing it to historical information and approved budgets;</li> <li>subjecting the key assumptions to sensitivity analyses; and</li> </ul>   |

## Independent auditor's report (continued)

| Key audit matter  | How our audit addressed the key audit matter  |
|---|---|
| <p><b>Impairment of goodwill and intangible assets (continued)</b></p> <p>As detailed in note 2, this determination of an impairment is highly subjective as significant judgement is required by the directors in determining the fair value less costs to sell or the value in use as appropriate. The value in use is based on the cash flow forecast model for each cash-generating unit and requires the estimation of model assumptions, most importantly the discount rate, growth rate and cash flows. Accordingly, due to the high estimation uncertainty, the impairment assessment of these assets is considered to be a key audit matter.</p> | <ul style="list-style-type: none"> <li>evaluating management's assessment on whether any events or change in circumstances indicate there may be a change in the expected useful lives of intangible assets.</li> </ul> <p>We found the models and assumptions applied in the impairment assessments to be appropriate and concur with the directors' decision not to impair.</p> <p>We considered the disclosure of the goodwill and other intangible assets to be appropriate for purposes of the consolidated financial statements.</p>              |
| <p><b>IFRS 3: Business combinations</b></p> <p>During the year, the group acquired the Dyna group of companies as detailed in note 27. The directors made use of independent experts in valuing and allocating the various intangible assets and resultant goodwill.</p> <p>We identified the IFRS 3: <i>Business Combinations</i> accounting treatment as a key audit matter due to the significance of the transactions and balances as well as the complexities of the purchase price allocation and disclosure requirements in this regard.</p>   | <p>We assessed the competence, capabilities and objectivity of the directors' independent valuers, and verified their qualifications. In addition, we discussed the scope of their work with management and reviewed their terms of engagement to determine that there were no matters that affected their independence and objectivity or imposed scope limitations upon them. We confirmed that the approaches they used are consistent with IFRS and industry norms.</p> <p>Our procedures with regards to impairment testing is detailed above.</p> |

### Other information

The directors are responsible for the other information. The other information comprises the directors' report, audit and risk committee's report and company secretary's certificate, as required by the Companies Act of South Africa, which we obtained prior to the date of this report and the annual report, which is expected to be made available to us after that date. Other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, as well as for overseeing the group's financial reporting process. The directors are responsible for such internal control as is determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will

always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit and risk committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit and risk committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit and risk committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Crowe JHB has been the auditor of Workforce Holdings Limited for 47 years.



Crowe JHB

**Partner: Gary Kartsounis**

*Registered auditor*

Sandton

26 March 2019

# Audit and risk committee report to shareholders

## Annual financial statements for the year ended 31 December 2018

The audit and risk committee has pleasure in submitting this report, which has been approved by the board and has been prepared in accordance with section 94(7) of the Companies Act and incorporating the recommendations of the Report on corporate governance for South Africa, 2016 ("King IV").

In summary, this committee assists the board in its responsibilities covering the:

- internal and external audit process for the group taking into account the significant risks;
- adequacy and functioning of the group's internal controls;
- integrity of the financial reporting; and
- risk management and information technology.

The committee has performed all the duties required in section 94(7) of the Companies Act.

Due to the size of the company, the board made a decision to combine the audit and risk committees and attend to both audit and risk responsibilities in one committee.

## Members of the audit committee and attendance at meetings

The committee, appointed by the board and approved by shareholders at the company's annual general meeting on 7 May 2018, comprised three independent non-executive directors, all of whom satisfied the requirements of section 94(4) of the Companies Act.

During the reporting period, John Macey was appointed as interim chairman on 30 June 2018 and then stepped down as chairman of the committee and Kyansambo Vundla assumed chairmanship of the committee. John Macey will remain a member of the committee. The committee acknowledges the recommendation by King IV that the chairman of the board should not be a member of the committee, but due to John Macey's extensive financial experience, decided that he remain a member of the committee.

The chief executive officer, financial director, partner of the external auditors and the internal auditor attend meetings by invitation. The board is satisfied that the independence, experience and qualifications of each member enable them to fulfil the committee's mandate. In addition to the quarterly meetings, the committee meets at least once a year with the company's internal and external auditors, without management being present.

During the 2018 financial year, the committee met on four occasions and meetings were scheduled in line with the group's financial reporting cycle.

| Name and qualifications                                  | Age  | Appointed     | Designation          | Experience  | Attendance   |
|--|--|---------------|----------------------|---|--------------|
| Kyansambo Vundla<br><i>BCom, HDip Acc, CA(SA)</i>        | 40   | November 2010 | Independent chairman | Over 24 years of experience in the financial services industry  | 3/4 meetings |
| John Macey<br><i>BBusSci (Hons), BCom (Hons), CA(SA)</i> | 57   | November 2008 | Independent member   | Over 30 years of experience in finance and financial management | 4/4 meetings |
| Shelley Thomas<br><i>CA(SA)</i>                          | 52   | December 2016 | Independent member   | Over 25 years of experience in finance and audit work           | 4/4 meetings |
| Standing invitees  | Financial director, group financial manager, external auditor, internal auditor, company secretary |               |                      |   |              |

### Changes to the committee:

- Kyansambo Vundla's appointed chairman of the committee effective 30 June 2018.
- John Macey remain a member of the committee effective 30 June 2018.

The committee collectively has the necessary financial literacy, skills and experience to execute their duties effectively. The committee is pleased to present its performance against focus areas for the 2018 financial year:

| Focus areas during 2018  | Delivery 2018   |
|--|---|
| <b>Maturing the enterprise risk management process</b>                   | Risk assessment continued for more of the key operating divisions/entities not covered in the preceding financial year, and more risk registers were developed and implemented. The risk assessment will continue in 2019 for those areas not covered in the preceding financial years, including new acquisitions, as well as the ongoing assessment of new/emerging risks and updating of the related risk registers. |
| <b>Conclude the internal control documentation exercise</b>              | The documentation of the processes, which incorporates the internal controls, will continue in 2019, when all entities are expected to have their documented processes audited, according to the ISO implementation programme. The internal controls inherent in these processes are also audited from time to time by internal audit, based on the risk-based internal audit plan.                                     |
| <b>Focus on legal compliance, especially considering new legislation</b> | Preparation for the implementation of the POPI Act commenced.<br><br>Implementation of IFRS 9 was implemented effective 1 January 2019.   |
| <b>Improved focus on fraud detection and prevention measures</b>         | Continued through internal auditing at branches and corporate divisions, to assess the adequacy and effectiveness of controls aimed at fraud detection and prevention as well as highlighting the weakness that would lead to such exposure to management for corrective and preventive actions.  |

## 2019 focus areas

- Evaluating the enterprise risk management process;
- Maturing of internal control documentation and processes; and
- Continued focus on fraud detection and prevention measures.

## Role of the audit and risk committee

The audit and risk committee has reviewed its terms of reference, approved by the board, setting out its duties and responsibilities as prescribed in the Act, King IV and incorporating additional duties delegated to it by the board.

The committee:

- fulfils the duties that are assigned to it by the Act and as governed by other legislative requirements;
- assists the board in overseeing the quality and integrity of the group's integrated reporting process, including the financial statements and sustainability reporting, and announcements in respect of the financial results;
- ensures that an effective control environment in the group is maintained;
- reviewed and adopted a combined assurance model;
- provides the financial director, external auditors and the head of internal audit with unrestricted access to the committee and its chairman as is required in relation to any matter falling within the ambit of the committee;
- meets with the external auditors, senior managers and executive directors as the committee may elect;
- meets confidentially with the internal and external auditors without other executive board members and the company's financial director being present;
- reviews and recommends to the board the interim financial results and annual financial statements;
- oversees the activities of, and ensures coordination between, the activities of the internal and external auditors;
- fulfils the duties that are assigned to it by the Act and as governed by other legislative requirements, including the statutory audit committee functions required for subsidiary companies;
- receives and deals with any complaints concerning accounting practices, internal audit or the content and audit of its financial statements or related matters;

# Audit and risk committee report to shareholders

(continued)

- conducts annual reviews of the audit committee's work plan and terms of reference;
- assesses the performance and effectiveness of the audit committee and its members on a regular basis; and
- reviewed the proactive monitoring process in terms of the letter from the JSE dated 20 February 2018.

## Execution of functions during the year

The committee is satisfied that, for the 2018 financial year, it has performed all the functions required to be performed by an audit and risk committee as set out in the Companies Act and the committee's terms of reference.

The audit and risk committee discharged its functions in line with its terms of reference and ascribed to it in terms of the Companies Act during the year under review as follows:

### External audit

During the reporting period, the external auditors changed their name from Horwath Leveton Boner to Crowe JHB. All statutory documents were updated accordingly.

The committee, among other matters:

- nominated Crowe JHB and Gary Kartsounis as the external auditor and designated auditor respectively to shareholders for appointment as auditor for the financial year ended 31 December 2018, and ensured that the appointment complied with all applicable legal and regulatory requirements for the appointment of an auditor;
- nominated the external auditor and the independent auditor for each material subsidiary company for reappointment;
- requested from the audit firm, the formal letter of their latest inspection performed by IRBA on Crowe JHB and Gary Kartsounis, including any findings, if applicable, to the firm and/or individual;
- requested from Crowe JHB the information detailed in paragraph 22.15(h) in their assessment of the suitability for appointment of Crowe JHB and Gary Kartsounis prior to their reappointment, which was presented on 20 November 2018;
- reviewed the audit effectiveness and evaluated the external auditor's internal quality control procedures;
- obtained an annual confirmation from the auditor that their independence was not impaired;
- maintained a policy setting out the categories of non-audit services that the external auditor may and may not provide, split between permitted, permissible and prohibited services;
- approved non-audit services with Crowe JHB in accordance with its policy;
- approved the external audit engagement letter, the plan and the budgeted audit fees payable to the external auditor;
- obtained assurances from the external auditor that adequate accounting records were being maintained by the company and its subsidiaries;
- considered whether any reportable irregularities were identified and reported by the external auditor in terms of the Auditing Profession Act, No 26 of 2005; and
- considered any reported control weaknesses, management's response for their improvement and assessed their impact on the general control environment.

Although Crowe JHB has been the auditors of the group for 47 years, the committee is satisfied that Crowe JHB is independent of the group after taking the following factors into account:

- representations made by Crowe JHB to the committee;
- the auditor does not, except as external auditor or in rendering permitted non-audit services, receive any remuneration or other benefit from the company;
- the auditors' independence was not impaired by any consultancy, advisory or other work undertaken by the auditor;
- the auditors' independence was not prejudiced as a result of any previous appointment as auditor; and
- the criteria specified for independence by the Independent Regulatory Board for auditors and international regulatory bodies.

### Internal audit

The committee:

- reviewed and approved the internal audit charter and annual audit plan and evaluated the independence, effectiveness and performance of the internal audit department and compliance with its charter;
- considered the reports of the internal auditor on the group's system of internal control including financial controls, business risk management and maintenance of effective internal control systems;

- received assurance that proper and adequate accounting records were maintained and that the systems safeguarded the assets against unauthorised use or disposal thereof;
- reviewed significant issues raised by the internal audit processes and the adequacy of corrective action in response to significant internal audit findings.

The head of internal audit reports functionally to the chair of the committee and administratively to the financial director.

### Adequacy and functioning of the group's internal controls

The committee reviewed the plans and work outputs of the external and internal auditors and concluded that these were adequate to address all significant financial risks facing the business.

As noted above, it also reviewed the reporting around the adequacy of the internal controls and based on this concluded that there had been no material breakdowns in internal control, including financial controls, business risk management and the maintenance of effective material control systems.

### Financial reporting

The audit and risk committee ensures that the financial reporting to stakeholders fairly presents the state of affairs of the group. This covers the annual financial statements, integrated report, interim and preliminary reporting.

The committee, among other matters:

- confirmed the going concern as the basis of preparation of the interim and annual financial statements;
- reviewed compliance with the financial conditions of loan covenants and determined that the capital of the company was adequate;
- examined and reviewed the interim and annual financial statements, as well as all financial information disclosed prior to the submission to the board for their approval and then for disclosure to stakeholders;
- ensured that the annual financial statements fairly present the financial position of the company and of the group as at the end of the financial year and the results of operations and cash flows for the financial year and considered the basis on which the company and the group was determined to be a going concern;
- considered the appropriateness of the accounting policies adopted and changes thereto;
- reviewed the external auditor's audit report and key audit matters included;
- reviewed the representation letter relating to the annual financial statements which was signed by management;
- considered any problems identified and reviewed any significant legal and tax matters that could have a material impact on the financial statements;
- considered accounting treatments, significant unusual transactions and accounting judgements; and
- ensured that appropriate financial reporting procedures exist and are working.

### Significant areas of judgement pursuant to paragraph 3.84(g) of the JSE Listings Requirements

In arriving at the figures disclosed in the financial statements there are many areas where judgement was needed. These are outlined in note 3.21 to the annual financial statements. The audit and risk committee has looked at the quantum of the assets and liabilities on the statements of financial position and other items that require significant judgement and decided to note the following:

- Impairment of trade receivables and advances: The impairment was reviewed and found this item to be fairly stated, in all material respects.
- Government grants: Reviewed and found this item to be fairly stated, in all material respects.
- Current and deferred taxation: Reviewed and found this item to be fairly stated, in all material respects.
- Internally generated intangible assets: Reviewed and found this item to be fairly stated, in all material respects.
- Impairment of goodwill and intangible assets: Reviewed and found this item to be fairly stated, in all material respects.

### Risk management and information technology ("IT") governance

The committee:

- adopted an updated IT strategy to be implemented;
- reviewed an IT terms of reference for the group IS committee;
- oversaw the value delivery on IT and monitored the return on investments on significant IT projects;
- ensured that intellectual property contained in information systems is protected;
- ensured that adequate business arrangements are in place for disaster recovery;

# Audit and risk committee report to shareholders

(continued)

- ensured that all personal information is treated by the company as an important business asset and is identified; and
- reviewed and recommended to the board for approval any policies proposed by management and relevant to the areas of responsibility of the committee.

## Legal and regulatory requirements

To the extent that these may have an impact on the annual financial statements, the committee:

- reviewed legal matters that could have a material impact on the group;
- reviewed the adequacy and effectiveness of the group's procedures, including its risk management framework, to ensure compliance with legal and regulatory responsibilities;
- monitored complaints received via the group's whistleblowing service; and
- considered reports provided by management, internal audit and the external auditors regarding compliance with legal and regulatory requirements.

## Expertise and experience of financial director and the financial function

As required by paragraph 3.84(g) of the JSE Listings Requirements, the committee has satisfied itself that the financial director, Willie van Wyk, has the appropriate expertise and experience. In addition, the committee satisfied itself that the composition, experience and skills set of the finance function met the group's requirements.

## Election of committee at the annual general meeting

Pursuant to the provisions of section 94(2) of the Companies Act, which requires that a public company must elect an audit committee at each annual general meeting, it is proposed in the notice of annual general meeting to be held on 6 May 2019 that Kyansambo Vundla, John Macey and Shelley Thomas be reappointed as members of the audit and risk committee until the next annual general meeting in 2020.

## Evaluation of the committee

The committee analyses and evaluates its effectiveness in line with King IV. The analysis and evaluation of the committee was conducted by way of a questionnaire that is based on the principles and practice recommendations in the King IV report. The questionnaires were completed by members and invitees and reported to the board via the committee.

On the basis of the analysis, the committee concluded that the committee is appropriately and effectively fulfilling its role and responsibilities. Weak areas were identified and will be addressed during the current financial year.

## Integrated report

Following the review by the committee of the consolidated annual financial statements of Workforce Holdings Limited for the year ended 31 December 2018, the committee is of the view that in all material aspects they comply with the relevant provisions of the Act and International Financial Reporting Standards and fairly present the consolidated and separate financial positions at that date and the results of operations and cash flows for the year then ended. The committee has also satisfied itself of the integrity of the integrated report and the sustainability information reported therein.

## Recommendation of the integrated report for approval by the board

Having achieved its objectives, the committee has recommended the annual financial statements and the integrated report for the year ended 31 December 2018 for approval to the board. The board has subsequently approved the reports, which will be open for discussion at the forthcoming annual general meeting.



**Kyansambo Vundla**

*Audit and risk committee chairman*

26 March 2019

# Directors' report

The directors present their report for the year ended 31 December 2018. This report does not form part of the audited financial statements.

## Nature of business

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, contractor on-boarding, healthcare and wellness, disability solutions, financial services, lifestyle benefits and business process outsourcing solutions.

There have been no material changes to the nature of the group's business from the prior year.

## Financial results

Financial results are discussed in detail in the financial director's review on pages 24 and 25 of the annual integrated report.

## Subsidiaries

The company's directly owned subsidiaries are as follows:

|   | % holding |
|---|-----------|
| Allmed Healthcare Professionals Proprietary Limited | 100       |
| Debtworx Proprietary Limited                        | 100       |
| Fempower Personnel Proprietary Limited              | 100       |
| KBC Holdings Proprietary Limited                    | 100       |
| Molapo Quyn Outsourcing Proprietary Limited         | 100       |
| Nursing Emergencies Proprietary Limited             | 100       |
| Programmed Process Outsourcing Proprietary Limited  | 100       |
| Quyn HR Consulting Proprietary Limited              | 100       |
| Quyn International Outsourcing Proprietary Limited  | 100       |
| Quyn Payrolling Services Proprietary Limited        | 100       |
| Rapitrade 465 Proprietary Limited                   | 100       |
| Sizuluntu Northern Cape Proprietary Limited         | 48        |
| Sizuluntu Staffing Solutions Proprietary Limited    | 48        |
| Telebest Holdings Proprietary Limited               | 100       |
| The Workforce Group Proprietary Limited             | 100       |
| Workforce Management Services Proprietary Limited   | 100       |
| Workforce Outsourcing Proprietary Limited           | 100       |
| Training Force Holdings                             | 100       |
| Gauteng Wage Bureau Proprietary Limited             | 100       |
| Omniatrics Proprietary Limited                      | 100       |
| Programmed Sourcing Proprietary Limited             | 49        |
| The Cyber Academy Proprietary Limited               | 51        |

Details of the subsidiaries indirectly held are set out below:

|  | % holding |
|--|-----------|
| Angola The Workforce Group Limitada                          | 100       |
| Babereki Employee Support Services Proprietary Limited       | 100       |
| Day-Click Limited  | 100       |
| Dyna Training Proprietary Limited                            | 100       |
| Dyna Training Namibia Proprietary Limited                    | 100       |
| Dyna Industrial Training and Development Proprietary Limited | 100       |

## Directors' report (continued)

|   | % holding |
|---|-----------|
| Essential Employee Benefits Proprietary Limited     | 100       |
| Fads Proprietary Limited                            | 100       |
| Glen Moray Proprietary Limited                      | 100       |
| Interchange Business Consulting Proprietary Limited | 100       |
| Jet Talent Proprietary Limited                      | 50        |
| KBC Health and Safety Proprietary Limited           | 100       |
| Khetha Staffing Services Proprietary Limited        | 100       |
| NQ Plus Networks Proprietary Limited                | 100       |
| Only The Best Proprietary Limited                   | 100       |
| Pha Phama Africa Investments Proprietary Limited    | 100       |
| Pha Phama Africa Staff Services Proprietary Limited | 100       |
| Prisma Training Solutions Proprietary Limited       | 100       |
| Teleresources Proprietary Limited                   | 100       |
| The Workforce Group Mauritius Limited               | 100       |
| Training Force Namibia Proprietary Limited          | 100       |
| Training Force Proprietary Limited                  | 100       |
| Workforce Finance Proprietary Limited               | 100       |
| Workforce Group Sociedade Unipessoal Limitada       | 100       |
| Workforce Health Care Proprietary Limited           | 50        |
| Workforce Software Proprietary Limited              | 100       |
| Workforce Worldwide Staffing Proprietary Limited    | 100       |

Details of the consolidated structured entities are set out below:

The Pha Phama Africa Employee Empowerment Trust and its subsidiary Pha Phama Africa Investments Proprietary Limited, are consolidated in line with the requirements of IFRS 10: *Consolidated Financial Statements*.

The subsidiary of the share trust is the beneficial owner of 14 370 000 (2017: 14 370 000) shares in Workforce Holdings Limited. The fair value of this loan amounted to R8 044 704 (2017: R7 783 218) and the loan outstanding is R9 111 761 (2017: R9 111 761).

|   | 2018<br>R'000 | 2017<br>R'000 |
|---|---------------|---------------|
| Aggregate profits of subsidiaries attributable to the holding company | 105 917       | 98 542        |

### Declaration of dividends

A gross dividend of 1,5 cents per ordinary share was declared as follows after the end of the financial year.

|  | 2019              |
|--|-------------------|
| Declaration date                           | Tuesday, 26 March |
| Last day to trade <i>cum</i> dividend      | Monday, 6 May     |
| First day to trade <i>ex</i> dividend date | Tuesday, 7 May    |
| Record date                                | Friday, 10 May    |
| Payment date                               | Monday, 13 May    |

Share certificates may not be dematerialised or rematerialised during the period Tuesday, 7 May 2019 to Friday, 10 May 2019, both days inclusive.

In terms of the Listings Requirements of the JSE Limited the following additional information is disclosed:

- This is a dividend as defined in the Income Tax Act, 1962, and is payable from income reserves;
- The South African dividend tax ("DT") rate is 20%;
- The DT to be withheld by the company amounts to 0,3 cents per share;
- Therefore, the net dividend payable to shareholders who are not exempt from DT is 1,2 cents per share, while the gross dividend of 1,5 cents per share is payable to those shareholders who are exempt from DT;
- The issued share capital of the company at the declaration date comprises 243 731 343 ordinary shares including 17 085 379 treasury shares. The issued share capital, excluding treasury shares, at the declaration date is comprised of 226 645 964 shares;
- The company's registration number is 2006/018145/06; and
- The company's income tax reference number is 9210/286/16/8.

## Share capital

Details of the company's authorised and issued share capital at 31 December 2018 are shown in note 9 to the financial statements. No changes were made to the authorised and issued ordinary share capital during the year under review.

## Employee share empowerment scheme

The Pha Phama Africa Employee Empowerment Trust was formed for the purpose of providing an opportunity for previously disadvantaged employees of the group to participate in the group's growth and success.

## Borrowings

In terms of the memorandum of incorporation, the directors have unlimited borrowing powers. Interest-bearing borrowings comprise loans secured by instalment sale agreements, cession of trade receivables, as well as a short-term loan facility.

## Special resolutions

1. It was resolved that the non-executive directors' remuneration was approved with effect from 7 May 2018 until the next annual general meeting.
2. It was resolved that approval was provided authorising the group to provide direct or indirect financial assistance to any related or inter-related companies.
3. It was resolved that a general approval was received for the company to repurchase any of the shares issued by the company, upon such terms and conditions and in such amounts as the directors may from time to time determine, subject to the provisions of sections of 46 and 48 of the Companies Act and the JSE Listings Requirements.

## Directors

The directors of the company for the financial year and up to the date of this report are as follows:

### Executive directors

RS Katz

WP van Wyk

### Non-executive directors

JR Macey (independent chairman)

S Naidoo

S Thomas

KN Vundla

I Ross

# Group statement of financial position

as at 31 December 2018

|   | Notes | 2018<br>R'000    | 2017<br>R'000 |
|---|-------|------------------|---------------|
| <b>Assets</b>   |       |                  |               |
| <b>Non-current assets</b>   |       | <b>350 687</b>   | 251 912       |
| Property, plant and equipment                                     | 1     | 20 266           | 23 559        |
| Goodwill  | 2     | 191 230          | 134 480       |
| Intangible assets   | 3     | 74 128           | 44 247        |
| Deferred tax assets   | 4     | 58 757           | 44 251        |
| Other financial assets  | 5     | 6 306            | 5 375         |
| <b>Current assets</b>   |       | <b>783 521</b>   | 744 246       |
| Trade and other receivables                                       | 6     | 734 787          | 714 389       |
| Inventories   | 7     | 4 965            | 3 546         |
| Taxation  |       | 2 221            | 763           |
| Cash and cash equivalents   | 8     | 41 548           | 25 548        |
| <b>Total assets</b>   |       | <b>1 134 208</b> | 996 158       |
| <b>Equity and liabilities</b>                                     |       |                  |               |
| <b>Equity</b>   |       | <b>603 020</b>   | 542 345       |
| Equity attributable to owners of the parent                       |       | 605 829          | 543 806       |
| Stated capital  | 9     | 234 051          | 234 051       |
| Treasury shares   | 9     | (11 158)         | (7 658)       |
| Fair value through other comprehensive income                     |       | 752              | 923           |
| Foreign exchange differences on translation of foreign operations |       | 549              | –             |
| Equity-settled employee benefits reserve                          | 25    | 9 288            | 6 793         |
| Retained earnings   |       | 372 347          | 309 697       |
| Non-controlling interests   |       | (2 809)          | (1 461)       |
| <b>Non-current liabilities</b>                                    |       | <b>107 933</b>   | 38 173        |
| Financial liabilities   | 10    | 87 585           | 26 407        |
| Deferred tax liabilities  | 4     | 20 348           | 11 766        |
| <b>Current liabilities</b>  |       | <b>423 255</b>   | 415 640       |
| Trade and other payables  | 11    | 141 535          | 136 914       |
| Financial liabilities   | 10    | 281 720          | 278 726       |
| <b>Total equity and liabilities</b>                               |       | <b>1 134 208</b> | 996 158       |

# Group statement of comprehensive income

for the year ended 31 December 2018

|   | Notes | 2018<br>R'000  | Restated*<br>2017<br>R'000 |
|---|-------|----------------|----------------------------|
| Revenue   | 12    | 3 014 446      | 2 807 890                  |
| Cost of sales   |       | (2 323 153)    | (2 172 461)                |
| <b>Gross profit</b>   |       | <b>691 293</b> | <b>635 429</b>             |
| Other income  |       | 278            | 1 032                      |
| Operating costs   |       | (534 634)      | (512 887)                  |
| <b>Earnings before interest, taxation, depreciation and amortisation ("EBITDA")</b> |       | <b>156 937</b> | <b>123 574</b>             |
| Fair value adjustments  | 16    | (5 360)        | 10 365                     |
| Depreciation and amortisation of non-financial assets                               |       | (25 179)       | (26 080)                   |
| Finance income  | 13    | 2 829          | 1 486                      |
| Finance costs   | 14    | (25 626)       | (23 360)                   |
| Profit on sale of subsidiary  |       | 2 822          | –                          |
| <b>Profit before taxation</b>   |       | <b>106 423</b> | <b>85 985</b>              |
| Taxation  | 15    | (1 854)        | 10 819                     |
| <b>Profit after tax</b>   | 16    | <b>104 569</b> | <b>96 804</b>              |
| <b>Other comprehensive income after tax</b>   |       |                |                            |
| <b>Items that are reclassified to profit or loss:</b>                               |       | <b>549</b>     | <b>–</b>                   |
| Exchange differences on translating foreign operations                              |       | 549            | –                          |
| <b>Items that are not reclassified to profit or loss:</b>                           |       | <b>(171)</b>   | <b>461</b>                 |
| Fair value gain through other comprehensive income financial assets                 | 5     | (171)          | 461                        |
| <b>Total comprehensive income for the year</b>                                      |       | <b>104 947</b> | <b>97 265</b>              |
| <b>Profit for the year attributable to:</b>   |       |                |                            |
| Owners of the parent  |       | 105 917        | 98 542                     |
| Non-controlling interests   |       | (1 348)        | (1 738)                    |
|   |       | 104 569        | 96 804                     |
| <b>Total comprehensive income attributable to:</b>                                  |       |                |                            |
| Owners of the parent  |       | 106 295        | 99 003                     |
| Non-controlling interests   |       | (1 348)        | (1 738)                    |
|   |       | 104 947        | 97 265                     |
| <b>Earnings per share (cents per share)</b>   |       |                |                            |
| Basic earnings per share  | 17    | 46,7           | 43,0                       |
| Diluted earnings per share  | 17    | 45,7           | 41,2                       |

\* For details of restatement refer to note 30.

# Group statement of changes in equity

for the year ended 31 December 2018

## Attributable to owners of the parent

|   | Share capital and premium R'000 | Treasury shares R'000 | Fair value reserve R'000 | Foreign currency translation reserve R'000 | Equity-settled employee benefits reserve R'000 | Retained earnings R'000 | Total R'000    | Non-controlling interests R'000 | Total equity R'000 |
|---|---------------------------------|-----------------------|--------------------------|--|--|-------------------------|----------------|---------------------------------|--------------------|
| Balance at 1 January 2017   | 241 867                         | (9 330)               | 462                      | –  | 2 337  | 211 155                 | 446 491        | 277                             | 446 768            |
| Recognition of share-based payments – see note 25.2                       | (7 816)                         | –                     | –                        | –  | 5 227  | –                       | (2 589)        | –                               | (2 589)            |
| Buy-back of shares  | –                               | (3 124)               | –                        | –  | –  | –                       | (3 124)        | –                               | (3 124)            |
| Issue of ordinary shares under employee share option plan                 | –                               | 4 796                 | –                        | –  | (771)  | –                       | 4 025          | –                               | 4 025              |
| Total comprehensive income for the year                                   | –                               | –                     | 461                      | –  | –  | 98 542                  | 99 003         | (1 738)                         | 97 265             |
| Balance at 1 January 2018 as previously reported                          | 234 051                         | (7 658)               | 923                      | –  | 6 793  | 309 697                 | 543 806        | (1 461)                         | 542 345            |
| Recognition of IFRS 9 adjustment (refer to note 2 on accounting policies) | –                               | –                     | –                        | –  | –  | (43 267)                | (43 267)       | –                               | (43 267)           |
| Balance at 1 January 2018 restated  | 234 051                         | (7 658)               | 923                      | –  | 6 793  | 266 430                 | 500 539        | (1 461)                         | 499 078            |
| Recognition of share-based payments – see note 25.2                       | –                               | –                     | –                        | –  | 2 495  | –                       | 2 495          | –                               | 2 495              |
| Buy-back of shares  | –                               | (3 500)               | –                        | –  | –  | –                       | (3 500)        | –                               | (3 500)            |
| Sale of subsidiary (refer to note 28)                                     | –                               | –                     | –                        | –  | –  | 1 383                   | 1 383          | 1 439                           | 2 822              |
| Total comprehensive income for the year                                   | –                               | –                     | (171)                    | 549  | –  | 104 534                 | 104 912        | (2 787)                         | 102 125            |
| <b>Balance at 31 December 2018</b>  | <b>234 051</b>                  | <b>(11 158)</b>       | <b>752</b>               | <b>549</b>                                 | <b>9 288</b>                                   | <b>372 347</b>          | <b>605 829</b> | <b>(2 809)</b>                  | <b>603 020</b>     |
| Notes   | 9                               | 9                     | 5                        |  | 26   |                         |                |                                 |                    |

# Group statement of cash flows

for the year ended 31 December 2018

|  | Notes | 2018<br>R'000   | Restated*<br>2017<br>R'000 |
|--|-------|-----------------|----------------------------|
| <b>Cash generated from operations before net working capital changes</b> |       | <b>135 425</b>  | <b>103 111</b>             |
| Cash generated from operations   | 18.1  | 158 858         | 128 860                    |
| Finance income   |       | 2 829           | 1 486                      |
| Finance costs  |       | (25 626)        | (23 360)                   |
| Settlement of share-based payments                                       |       | –               | (4 513)                    |
| Taxation paid  | 18.2  | (636)           | 638                        |
| Increase in net working capital  | 18.3  | (80 496)        | (91 706)                   |
| <b>Cash flows from operating activities</b>                              |       | <b>54 929</b>   | <b>11 405</b>              |
| <b>Cash flows from investing activities</b>                              |       | <b>(69 258)</b> | <b>(57 611)</b>            |
| Property, plant and equipment acquired – maintaining operations          | 1     | (6 742)         | (8 969)                    |
| Proceeds on disposal of property, plant and equipment                    |       | 132             | 1 109                      |
| Dividend income  |       | 278             | 1 032                      |
| Intangible assets acquired – maintaining operations                      | 3     | (13 670)        | (7 645)                    |
| Net cash flow on acquisition of business combinations                    | 18.4  | (49 256)        | (43 138)                   |
| <b>Cash flows from financing activities</b>                              |       | <b>30 329</b>   | <b>(3 375)</b>             |
| Repayment of borrowings  |       | (2 086)         | (5 535)                    |
| Proceeds from borrowings   |       | 35 915          | 488                        |
| Payment for buy-back of shares   |       | (3 500)         | (3 124)                    |
| Proceeds on disposal of shares   |       | –               | 4 796                      |
| <b>Net change in cash and cash equivalents</b>                           |       | <b>16 000</b>   | <b>(49 581)</b>            |
| <b>Cash and cash equivalents at the beginning of the year</b>            |       | <b>25 548</b>   | <b>75 129</b>              |
| <b>Cash and cash equivalents at the end of the year</b>                  |       | <b>41 548</b>   | <b>25 548</b>              |

\* For details of restatement refer to note 30.

# Accounting policies

## 1. General information

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

## 2. Adoption of new and revised International Financial Reporting Standards (“IFRSs”)

### New and amended standards adopted by the group

#### IFRS 9: Financial Instruments (“IFRS 9”)

The group has adopted IFRS 9 with a date of application of 1 January 2018 which resulted in changes in accounting policies. The company has applied transitional relief and opted not to restate prior periods.

IFRS 9 replaces IAS 39: *Financial Instruments: Recognition and Measurement* (IAS 39). It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an “expected credit loss” model for the impairment of financial assets.

While there have been no changes to the measurement of the financial instruments with the application of IFRS 9, the naming conventions have changed.

The table below depicts the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the group’s financial assets and liabilities as at 1 January 2018:

| Financial instrument                                  | IAS 39                                |                         | IFRS 9  |                         |
|---|---------------------------------------|-------------------------|---|-------------------------|
|   | Measurement                           | Classification<br>R’000 | Measurement   | Classification<br>R’000 |
| Other financial assets:<br>listed shares              | Available-for-sale                    | 2 770                   | Financial assets at fair value<br>through other<br>comprehensive income | 2 770                   |
| Other financial assets:<br>investment in cell captive | Fair value through<br>profit and loss | 2 605                   | Financial assets at fair value<br>through profit and loss               | 2 605                   |
| Trade and other<br>receivables                        | Loans and<br>receivables              | 714 389                 | Financial assets at<br>amortised cost                                   | 685 438                 |
| Cash and cash<br>equivalents                          | Loans and<br>receivables              | 25 548                  | Financial assets at<br>amortised cost                                   | 25 548                  |
| Trade and other payables                              | Other financial<br>liabilities        | 141 535                 | Financial liabilities at<br>amortised cost                              | 141 535                 |

The adoption of IFRS 9 has impacted the way impairment of financial assets is calculated by the introduction of the expected credit loss model. This affects the group’s loans as well as its trade receivables and advances measured at amortised cost.

### Impairment of financial assets

IFRS 9’s impairment requirements use more forward-looking information to recognise expected credit losses – the expected credit losses (“ECL”) model. This replaces IAS 39’s incurred loss model. Instruments within the scope of the new requirements included loans and other debt type financial assets measured at amortised cost, debt instruments measured at fair value through other comprehensive income (“FVOCI”) and trade receivables measured under IFRS 15.

Recognition of credit losses is no longer dependent on the company first identifying a credit loss event. Instead, the company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

Measurement of the expected credit losses is determined by a probability weighted estimate of credit losses over the expected life of the financial instrument.

### Trade and other receivables

The company makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime (ECLs) (refer to note 3.17). These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The company assesses impairment of trade receivables on a portfolio basis grouping those that possess shared credit risk characteristics. These have then been grouped based on the days past due. The company has therefore concluded that the expected loss rates calculated on the trade receivables are a reasonable approximation of the loss rates.

The group makes use of the general approach in accounting for the expected credit losses on advances. The group assesses the ECLs on the advances through the use of a three-stage approach (refer to note 3.17). ECLs are determined for the next 12 months in stage 1, and over the lifetime of the advance in stages 2 and 3.

At 1 January 2018 the life time expected loss provision for trade receivables and advances is as follows:

| Amounts in R'000         | Accounts receivable | Advances | Total   |
|--------------------------|---------------------|----------|---------|
| IFRS 9 loss provision    | 48 023              | 93 273   | 141 296 |
| IAS 39 loss provision    | 19 072              | 62 515   | 81 587  |
| Difference*              | 28 951              | 30 758   | 59 709  |
| Tax effect of difference | 7 830               | 8 612    | 16 442  |
| Nett difference          | 21 121              | 22 146   | 43 267  |

\* In our interim results, the amount recorded in retained earnings due to the impairment provision application was R30 758 000. During the year our impairment process was refined and improved. The difference between the amount recorded as an adjustment in our interim results and in our annual financial statements is due to the improved method of determining the expected losses.

As the accounting for financial liabilities remains largely the same under IFRS 9 compared to IAS 39, the company financial liabilities were not impacted by the adoption of IFRS 9.

### IFRS 15: Revenue from contracts from customers ("IFRS 15")

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces IAS 18: *Revenue*, IAS 11: *Construction contracts and related interpretations*. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control at a point in time requires judgements.

IFRS 15 introduced a five-step approach to revenue recognition. The requirement to recognise the significant financing component separately from the transaction price did impact the contracts for the sale of goods where the contracts exceed a period of 12 months. The group has elected to apply the practical expedient model not to separate the significant financing components from contracts where the expected period between the contract recognition and payment is less than 12 months for all other contracts. The standard requires the group to recognise the performance obligation over time or at a point in time, which did not affect the group's recognition, except as noted in the table on the next page.

The group has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (ie 1 January 2018). Accordingly, the information presented for 2017 has not been restated – ie it is presented as previously reported under IAS 18 and related interpretations. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative figures.

## Accounting policies (continued)

### 2. Adoption of new and revised International Financial Reporting Standards ("IFRS") (continued)

Trade and other receivables (continued)

*IFRS 15: Revenue from contracts from customers ("IFRS 15") (continued)*

The impact on the group is as follows:

| Revenue type   | Transfer of control  | Changed from IAS 18  |
|----------------|--|--|
| Services       | Over time or point in time dependent on the service being delivered.                               | No   |
| Customer loans | Over time  | No   |
| Sale of goods  | Point in time for delivery of handsets and over time for financing services as interest is earned. | Yes, significant financing component adjustments now separated from the revenue. |

Revenue now separated to be recognised at a point in time when the handset is delivered and over time for the financing provided on the sales.

### 3. Summary of accounting policies

The significant accounting policies that have been used in the preparation of the group annual financial statements are summarised below. The annual financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

#### 3.1 Statement of compliance

The consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations as issued by the IFRS Interpretations Committee ("IFRIC"), and comply with the financial reporting pronouncements as issued by the Financial Reporting Standards Council ("FRSC"), the JSE Listings Requirements and the requirements of the Companies Act, 2018 as amended.

#### 3.2 Basis of preparation

The annual financial statements have been prepared on the historical cost basis except for certain financial instruments that have been measured at fair value.

The preparation of the annual financial statements was supervised by the financial director, W van Wyk, CA(SA).

The annual financial statements are presented in South African Rand ("ZAR"), the functional currency of the group and company, and all amounts are rounded to the nearest thousand, except when otherwise indicated.

The principal accounting policies are set out below.

#### 3.3 Basis of consolidation

The consolidated annual financial statements incorporate the annual financial statements of the group and entities (including consolidated structured entities) controlled by the group (its subsidiaries). Control is achieved when the company has power over the investee, it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. Where necessary, adjustments are made to the annual financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the group. All subsidiaries have a reporting date of 31 December 2018. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Non-controlling interests in subsidiaries are identified separately from the group's equity therein. The interests of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit.

### 3.4 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The acquisition method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recorded in the annual financial statements prior to acquisition. On initial recognition, the assets and liabilities of the acquired subsidiary are included in the consolidated statement of financial position at their fair values, which are also used as the bases for subsequent measurement in accordance with the group's accounting policies.

Goodwill is stated after separating out identifiable intangible assets. Goodwill represents the excess of acquisition cost over the fair value of the group's share of the identifiable net assets of the acquiree at the date of acquisition, as well as a portion of non-controlling interest.

Cash-generating units to which goodwill has been allocated are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

### 3.5 Segment reporting

In identifying its operating segments, management generally follows the group's service lines, which represents the main services provided by the group and is consistent with the way these results are reviewed by the decision-makers. During the reporting period, the group re-organised its segments and formed six business clusters of the different business activities and placed each cluster under an independent management team. For segmental reporting purposes the group is organised into four main reporting segments, namely staffing and outsourcing (incorporating recruitment and Africa), training, healthcare and financial services. Each of these segments is managed separately as each of these service lines requires different technologies and other resources.

Segment results include revenue and expenses directly attributable to a segment and the relevant portion of enterprise revenue and expenses that can be allocated on a reasonable basis to a segment. All inter-segment transactions are carried out at arm's length prices. These transactions are eliminated on consolidation. Segment assets and liabilities comprise operating assets and liabilities directly attributable to the segment, or which could reasonably be assigned to the segment. Performance is measured based on profit before interest and tax.

### 3.6 Revenue recognition

Revenue is measured based on the consideration to which the group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The group recognises revenue when it transfers control of a product or service to a customer.

Revenue from the sale of goods and the rendering of services is recognised when it is probable that the economic benefits associated with the transaction will flow to the group and the amount of revenue, and associated costs incurred or to be incurred, can be measured reliably. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

## Accounting policies (continued)

### 3. Summary of accounting policies (continued)

#### 3.6 Revenue recognition (continued)

The effect of initially applying IFRS 15 in the group's revenue from sales and services is described in note 2.1 of the accounting policies. Due to the transition method chosen in applying IFRS 15, comparative information has not been restated to reflect the new requirements.

The company generates revenue from the rendering of services, selling of goods as well as through financial services. These can be described further below:

| Revenue type                                       | Includes   | Recognition driver   | Transfer of control | Measurement  |
|--|--|--|---------------------|--|
| <b>Services</b><br><b>Staffing and outsourcing</b> | Staffing solutions   | As employees render services                                 | Over time           | Fair value   |
|  | Placement fees   | On commencement of employment                                | Point in time       |  |
|  | Payroll management   | As service rendered  | Over time           |  |
|  | Consulting services  | Over time/point in time depending on service                 |                     |  |
| <b>Training</b>                                    | Accredited courses, education and training                                 | When training is provided                                    | Over time           | Fair value   |
| <b>Financial services</b>                          | Funeral cover and lending services   | When interest is earned on the principal amount              | Over time           | Effective interest method                                |
| <b>Healthcare</b>                                  | Medical cover, healthcare, wellness programmes and health risk assessments | As and when the services are provided                        | At a point in time  | Fair value   |
| <b>Goods</b><br><b>Financial services</b>          | Cell phones financed over 13 months  | Sale of handset – when the buyer takes delivery of the goods | Point in time       | Fair value, adjusted for the significant financing costs |
|  |  | Sale of data – as the customer uses the data                 | Over time           |  |
| <b>Other</b><br><b>Interest</b>                    | Interest on financial services provided                                    | Accrued as earned  | Over time           | Effective interest method                                |
| <b>Dividends</b>                                   | Dividends received   | Declaration of dividend                                      | Point in time       | Fair value   |

The group has elected to apply the practical expedient model, not to adjust the promised amount of consideration for the effects of a significant financing component where the contracts are expected to be for less than a year.

#### 3.7 Government grants

Government grants are not recognised until there is reasonable assurance that the group will comply with the conditions attached to them and that the grants will be received.

Government grants for staff training costs are recognised in the profit and loss over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis and are deducted in reporting the related expense.

Government grants that are receivable as compensation for expenses or losses already incurred, or for the purpose of giving immediate financial support to the group with no future related costs, are recognised in profit or loss in the period in which they become receivable.

### 3.8 Finance costs

Finance costs primarily comprise interest on the group's borrowings. All finance costs are recognised in profit or loss in the period in which they are incurred. For cash flow purposes, finance costs are allocated to operating activities as they enter into the determination of profit to loss.

Finance costs are determined using the effective interest rate method of calculation.

### 3.9 Property, plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Property, plant and equipment is initially measured at cost.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method. The estimated useful lives, depreciation methods and residual values are reviewed at each year-end, with the effect of any changes, accounted for on a prospective basis.

Land and buildings are carried at cost and not depreciated.

The estimated average useful lives are as follows:

|                        | Years      |
|------------------------|------------|
| Computer equipment     | 3          |
| Industrial equipment   | 4          |
| Leasehold improvements | 5          |
| Motor vehicles         | 4          |
| Office equipment       | 5          |
| Land                   | Indefinite |
| Buildings              | 20         |
| Training manuals       | 5          |

### 3.10 Intangible assets

#### *Intangible assets acquired separately*

Intangible assets are initially measured at cost. Intangible assets acquired separately are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

#### *Internally generated computer software – research and development expenditure*

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Internally generated computer software arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the computer software so that it will be available for use or sale;
- the intention to complete the computer software and use or sell it;
- the ability to use or sell the computer software;
- how the computer software will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the computer software; and
- the ability to measure reliably the expenditure attributable to the computer software during its development.

## Accounting policies (continued)

### 3. Summary of accounting policies (continued)

#### 3.10 Intangible assets (continued)

##### *Internally generated computer software – research and development expenditure (continued)*

The amount initially recognised for Internally generated computer software is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no Internally generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred. Subsequent to initial recognition, Internally generated computer software is reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

The following useful lives are used in the calculation of amortisation:

|                               | Years  |
|-------------------------------|--------|
| Computer software             | 2 to 5 |
| Client relationships          | 3      |
| Brand names                   | 3      |
| Training course accreditation | 5      |

Intangible assets with a finite life are assumed to have a residual value of nil.

##### *Intangible assets acquired in a business combination*

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date. Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

#### 3.11 Impairment of goodwill, property, plant and equipment and other intangible assets

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount, exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles as assessed by management. The recoverable amount is the higher of fair value less cost to sell and value in use.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised, may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

### 3.12 Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### *The group as lessee*

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

### 3.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of ordinarily interchangeable items are assigned using the first in, first out cost formula. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### 3.14 Taxation

Tax expense recognised in the profit and loss comprise the sum of deferred tax and current tax not recognised in the other comprehensive income or directly in equity.

#### *Current tax*

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

#### *Deferred tax*

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the annual financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

# Accounting policies (continued)

## 3. Summary of accounting policies (continued)

### 3.14 Taxation (continued)

#### *Deferred tax (continued)*

Deferred tax liabilities are recognised for taxable temporary differences associated with investments, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at the end of each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

#### *Current and deferred tax for the period*

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

### 3.15 Equity, reserves and dividends paid

#### *Stated capital*

Stated capital represents the value of shares that have been issued. Shares are classified as equity when there is no obligation to transfer cash or assets. Incremental costs directly related to the issue of new shares are shown as a deduction from equity.

#### *Treasury shares*

Where the group or other consolidated subsidiaries purchase the group's equity investment in Workforce Holdings group's shares, the consideration paid, including directly attributable incremental costs, is deducted from the total shareholders' equity as treasury shares until they are sold. Fair value changes recognised in the subsidiary's annual financial statements on equity investments in the holding group's shares, are reversed on consolidation and dividends received are eliminated against dividends paid. Where such shares are subsequently sold, any consideration received, net of any directly attributable incremental costs, is included in shareholders' equity.

#### *Empowerment trust*

The group's employee empowerment incentive scheme is operated through a trust and its subsidiary company. The trust is a consolidated structured entity.

The share trust purchased shares for a share incentive scheme to benefit previously disadvantaged employees and to allow the group to meet its objective of achieving its B-BBEE scorecard requirements. The purchase of the shares by the share trust is treated as a reduction in the group's equity. For the purpose of the earnings per share calculation, the weighted average number of shares in issue is reduced by the number of shares held by the trust.

#### *Dividends paid*

Dividends paid on ordinary shares are recognised against equity in the period in which they are approved by the group's shareholders. A gross dividend of 1,5 cents per ordinary share was declared as follows after the end of the financial year.

### 3.16 Contingencies

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 26.

### 3.17 Retirement benefit costs

Contributions to defined contribution retirement plans are recognised as an expense when employees have rendered service entitling them to the contributions.

### 3.18 Financial instruments

#### *Recognition and derecognition*

Financial instruments are recognised when the group becomes a party to the contractual provisions of the financial instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial instruments (other than those at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. Where the group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the group recognises its retained interest in the financial asset and an associated liability for amounts it may have to pay. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

#### 3.18.1 Financial assets

##### *Classification and initial measurement of financial assets*

Financial assets, are classified into the following categories:

- Amortised cost;
- Fair value through profit or loss ("FVTPL"); and
- Fair value through other comprehensive income ("FVTOCI").

The classification is determined by both:

- The group's business model for managing the financial asset; and
- The contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs or finance income.

##### *Subsequent measurement*

###### *Financial assets at amortised cost*

Financial assets are measured at amortised cost where the group's business model is to hold the financial assets and collect its contractual cash flows and the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method.

Discounting is omitted where the period between the service and the expected payment date is less than 12 months and the effect of discounting is immaterial. The group's advances, trade and receivables and cash and cash equivalents fall into this category of financial instruments.

Cash and cash equivalents comprise cash on hand, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

## Accounting policies (continued)

### 3. Summary of accounting policies (continued)

#### 3.18 Financial instruments (continued)

##### *Recognition and derecognition (continued)*

##### 3.18.1 *Financial assets (continued)*

###### *Advances*

Advances are non-derivative financial assets with fixed payments that are not quoted in the active market. The advances arise when the group provides money or goods directly to a debtor through the lending services and sale of goods. These advances are in the form of personal unsecured loans and are paid back in fixed equal instalments. Origination fees and monthly service fees that are integral to the effective interest rate are capitalised to the value of the loan and amortised to profit or loss over the contractual life of the loan using the effective interest rate method.

Advances are measured at amortised cost using the effective interest rate method, less any impairment losses through the use of an allowance account whereby the amount of the losses are recognised in profit or loss.

The significant financing component on the sale of goods is recognised using the effective interest method over the period of the contract.

###### *Financial assets at fair value through profit or loss ("FVTPL") – mandatory*

The group holds an investment in an unconsolidated structured entity in the form of a cell captive. This investment does not fall within the business model to "hold to collect" or "hold to collect and sell" and its contractual cash flows are not solely payments of principal and interest. It is therefore accounted for as a financial asset mandatorily measured at FVTPL.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. Fair value is determined in the manner described in note 22.

###### *Financial assets at fair value through other comprehensive income ("FVTOCI")*

The group has elected to designate its equity investments in listed shares at FVTOCI. This is an irrevocable election permitted where the instruments meet the definition of equity under IAS 32: *Financial Instruments: Presentation* and are not held for trading.

Dividends received on these investments are recognised in profit or loss. Any gains or losses recognised in other comprehensive income ("OCI") will not be reclassified to profit or loss upon derecognition of the asset.

###### *Impairment of financial assets*

The group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are probability weighted estimates 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, discounted at an approximation of the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets, with the exception of trade receivables and advances, where the carrying amount is reduced through the use of an allowance account. When the trade receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit and loss. Changes to the carrying amount of the allowance account are recognised in profit and loss.

###### *Trade and other receivables*

The group uses an allowance account to recognise its credit losses on trade and other receivables. It applies the simplified approach of recognising lifetime ECLs for the trade receivables. The group applied a practical expedient in measuring the expected credit loss, using a provision matrix in determining the impairment. This matrix uses the historical credit loss, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast conditions at the reporting date. See note 6 for the impairment provisions. Historically, the recoverability of the accounts receivable has

been impacted by large losses in some of the acquired entities. We believe that these historical losses have been cleared and do not expect the high loss rates to continue.

These credit losses are the expected shortfalls in contractual cash flows, contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

#### *Advances*

The group uses an allowance account to record its credit losses on advances. It applies the general impairment approach in determining the ECLs. ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL) (see trade and other receivables note 6 and accounting policies note 2).

Due to the nature of the advances, the group considers an advance in default when they are handed over to the legal process. However, in certain cases, the group may also consider an advance 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. An advance is written off when there is no reasonable expectation of recovering the contractual cash flows.

The group has established a policy to perform an assessment, at the end of each reporting period, of whether an advance's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the group groups its advances into Stage 1, Stage 2 and Stage 3, as described below (the advances can alternate between stages):

- Stage 1: When advances are first recognised, the group recognises an allowance based on 12-month ECLs. Stage 1 advances also include facilities where the credit risk has improved, and the advance has been reclassified from Stage 2. The advances included within Stage 1 are those for temporary employees that are currently working, and the payments are paid from their salaries consistently.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the group records an allowance for the life time ECLs. Stage 2 loans also include facilities, where the credit risk has improved, and the loan has been reclassified from Stage 3. The advances included within this stage are those that the group still manages on a portfolio basis. Based on the history of the group, these might include advances where the client has not made payments, mainly due to non-employment. This is considered to increase the credit risk of the client, but advances are still expected to be recovered through a debt management process.
- Stage 3: Loans considered credit-impaired. The group records an allowance for the life time ECLs.

The advances can move between stages based on their performance, ie an advance in Stage 2 in the current year can move to a Stage 1 loan in the next period if the lender's risk decreases, for example, the lender recovers and makes regular payments again.

The entity considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower enters the legal stage of the advance management process. At this time the loans are managed individually.

The ECL calculations are performed on a portfolio basis, grouping the advances into those with similar credit risks and within those portfolios, using statistics derived from a five-year historical past performance of that portfolio, validated by external borrowers and taking into account any changes to collection procedures and projected future market conditions.

# Accounting policies (continued)

## 3. Summary of accounting policies (continued)

### 3.18 Financial instruments (continued)

#### *Recognition and derecognition (continued)*

#### 3.18.2 Financial liabilities

##### *Financial liabilities at amortised cost*

The company's financial liabilities include trade and other payables.

Financial liabilities are measured at fair value, and where applicable, adjusted for transaction costs.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

#### 3.18.3 Fair value estimation

A number of the group's accounting policies and disclosures require the measurement of fair values. The group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Note 21.2 presents the group's assets and liabilities that are measured at fair value. The classification into different levels is based on the extent that quoted prices are used in the calculation of fair value and the levels have been defined as follows:

- level 1: fair value based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- level 2: fair value based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); or
- level 3: fair value based on inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

### 3.19 Share-based payment arrangements

#### *Share-based payment transactions of the company*

##### *Equity-settled share-based payments*

Equity-settled share-based payments to employees and others providing similar services are measured at fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 25.

Employees receive shares in settlement of the equity-settled share-based payment scheme. The employees are given the option of retaining the shares granted, or selling the shares on the open market.

The fair value determined at grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity-settled employee benefits reserve.

##### *Cash-settled share-based payments*

The fair value of the amount payable to employees in respect of cash-settled share-based payments is recognised as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured to fair value at each reporting date and at settlement date. Any changes in the liability are recognised in profit or loss.

### 3.20 Earnings per share ("EPS")

#### *Basic earnings per share*

Earnings per share is calculated using the weighted average number of ordinary shares in issue during the period and is based on the profit after tax attributable to ordinary shareholders. For the purpose of calculating earnings per share, treasury shares are deducted from the number of ordinary shares in issue.

*Diluted earnings per share*

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares and is based on the net profit attributable to ordinary shareholders, adjusted for the after-tax dilutive effect. The company has dilutive potential ordinary shares which comprise share options and share rights issued in terms of the group's share schemes.

*Headline earnings per share*

Headline earnings per share is calculated using the weighted average number of ordinary shares in issue during the period and is based on the earnings attributable to ordinary shareholders, after excluding those items as required by Circular 2/2015 issued by the South African Institute of Chartered Accountants ("SAICA").

### 3.21 Critical accounting judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### 3.21.1 Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations described in note 2.24.2 below, that the directors have made in the process of applying the group's accounting policies and that have the most significant effect on the amounts recognised in the annual financial statements. In the application of the group's accounting policies, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant.

*Government grants*

Determining whether training fees are recoverable from SETAs and when these amounts are recoverable, involve the exercising of judgement by management. Management ensures that the conditions attached to the various SETA programmes have been fully met before recognising the grants. Further to this management has considered the history of recoveries of these grants. Details of these learnerships are detailed in note 6.

*Internally developed software*

Significant judgement is required in determining the development phase of internally developed computer software. Development costs are recognised as an asset when all the criteria are met, whereas any other expenses not directly related to the development, are expensed as incurred. In determining the development phase, it is the group's accounting policy to also require a detailed forecast of cost savings expected to be generated by the intangible asset. The forecast is incorporated into the group's overall budget forecast as the capitalisation of development costs commences. This ensures that managerial accounting, impairment testing procedures and accounting for internally generated intangible assets is based on the same data. The group's management also monitors whether the recognition requirements for development costs continue to be met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems after recognition. Details of intangible assets are provided in note 3 of the notes to the group annual financial statements.

## Accounting policies (continued)

### 3. Summary of accounting policies (continued)

#### 3.20 Critical accounting judgements and key sources of estimation uncertainty (continued)

##### 3.21.1 Critical judgements in applying accounting policies (continued)

###### *Deferred tax assets*

Deferred tax assets are recognised to the extent that it is probable that taxable income will be available in the future against which these can be utilised. The raising of deferred tax assets is a process that is based on certain assumptions about the ability of the group to generate future profits in order to utilise the future tax benefits. The assessment of the probability of future taxable income is based on the group's latest approved budget forecast, which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties, is assessed individually by management based on the specific facts and circumstances. Details of deferred tax assets are provided in note 4 of the notes to the group annual financial statements.

###### *Provision for expected credit losses of trade receivables*

The group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various client segments that have similar loss patterns. A period of 36 months was used for the assessment as it best represented the recovery rates expected. Management does not expect a change in the recovery rate due to the changes in the South African economy at this time.

###### *Provision for expected credit losses of advances*

The group uses the general impairment approach to calculate the ECLs for advances. This is explained in note 3.1. The provision rates are based on historical defaults and processes, confirmed against a three-year historical performance of that portfolio, as well as external validations of those rates obtained from external borrowers. The rates are adjusted for judgements regarding the future market conditions.

The group has applied judgement in determining the stages that the advances fall within and defining "default" for these financial assets. Stage 1 includes the performing loans, Stage 2 includes the loans that are currently not performing but are expected to perform again based on historical evidence of the types of borrower, their history and the stage of non-performance. The loans are recorded as stage 3 when they default. Default is determined by the group to be when the borrower enters the legal stage of the group's management process, at which time they are managed individually.

###### *Contingent liabilities*

Management applies its judgement to the fact patterns and advice it receives from its attorneys, advocates and other advisors in assessing if an obligation is probable, more likely than not, or remote.

###### *Control over Workforce Health Care Proprietary Limited*

Note 25.4 describes Workforce Health Care Proprietary Limited as a subsidiary of the group even though the group has only a 50% ownership and has only 50% of the voting rights in Workforce Health Care Proprietary Limited. The directors of the company assessed whether the group has control over Workforce Health Care Proprietary Limited based on whether the group has other related rights sufficient to give it power over the company. Workforce Health Care Proprietary Limited is reliant on the group for funding its total operations and no other party has rights which may interfere with those held by the entity. The company is also dependent on the group for the supply of critical services and technology. In addition the "Workforce" brand is controlled by the group and used by the company as part of its trading name. After the assessment the directors concluded that they have sufficient related rights to give the group control over Workforce Health Care Proprietary Limited.

### 3.21.2 *Critical judgements in applying accounting policies*

#### *Control over Pha Phama Africa Employee Empowerment Trust and its subsidiary*

Note 25.4 describes Pha Phama Africa Employee Empowerment Trust and its subsidiary Pha Phama Africa Investments Proprietary Limited as a consolidated structured entity of the group. The directors assessed whether the group has control over Pha Phama Africa Employee Empowerment Trust and its subsidiary, Pha Phama Africa Investments Proprietary Limited. The trustees are the parties who make decisions about the relevant activities of the trust, based on the fact that the trustees of the Trust are required to be employees of the group who have been employed by the group for at least seven years, the directors concluded that they effectively have control over Pha Phama Africa Employee Empowerment Trust.

#### *Control over Jet Talent Proprietary Limited*

Note 25.4 describes Jet Talent Proprietary Limited as a subsidiary of the group even though the group has only a 50% ownership and has only 50% of the voting rights in Jet Talent Proprietary Limited. The directors of the company assessed whether the group has control over Jet Talent Proprietary Limited based on whether the group has other related rights sufficient to give it power over the company. Jet Talent Proprietary Limited is reliant on the group for funding its total operations. The company is also dependent on the group for the supply of critical services and technology. After assessment the directors concluded that they have sufficient related rights to give the group control over Jet Talent Proprietary Limited.

#### *Control over Sizuluntu Staffing Solutions Proprietary Limited*

Note 25.4 describes Sizuluntu Staffing Solutions Proprietary Limited as a subsidiary of the group even though the group has only a 48% ownership and has only 48% of the voting rights in Sizuluntu Staffing Solutions Proprietary Limited. The directors of the company assessed whether the group has control over Sizuluntu Staffing Solutions Proprietary Limited based on whether the group has other related rights sufficient to give it power over the company. Sizuluntu Staffing Solutions Proprietary Limited is reliant on the group for funding its total operations. The company is also dependent on the group for the supply of critical services and technology. After assessment the directors concluded that they have sufficient related rights to give the group control over Sizuluntu Staffing Solutions Proprietary Limited.

#### *Control over Sizuluntu Projects Proprietary Limited*

Note 25.4 describes Sizuluntu Northern Cape Proprietary Limited as a subsidiary of the group even though the group has only a 48% ownership and has only 48% of the voting rights in Sizuluntu Projects Proprietary Limited. The directors of the company assessed whether the group has control over Sizuluntu Projects Proprietary Limited based on whether the group has other related rights sufficient to give it power over the company. Sizuluntu Projects Proprietary Limited is reliant on the group for funding its total operations. The company is also dependent on the group for the supply of critical services and technology. After assessment the directors concluded that they have sufficient related rights to give the group control over Sizuluntu Projects Proprietary Limited.

### 3.21.3 *Key sources of estimation uncertainty*

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### *Impairment of goodwill*

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating units to which goodwill is allocated. The value in-use calculation requires the entity to estimate future cash flows expected to arise from the cash-generating unit and to determine a suitable discount rate in order to calculate present value. In the process of measuring expected future cash flows management makes assumptions about future gross profits that relate to future events and circumstances. The actual results may vary, and may cause significant adjustments to the group's assets within the next financial year. In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market annual financial statements.

## Accounting policies (continued)

### 3. Summary of accounting policies (continued)

#### 3.20 Critical accounting judgements and key sources of estimation uncertainty (continued)

##### 3.21.3 Key sources of estimation uncertainty (continued)

##### *Useful lives of depreciable assets and residual values*

The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition at that time.

#### 3.22 Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with IAS 37 and the amount recognised initially less cumulative amount of income recognised in accordance with the principles of IFRS 15.

### 4. At the date of authorisation of these annual financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the group.

#### 4.1 IFRS 16: Leases

- IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows.
- IFRS 16 contains expanded disclosure requirements for lessees.
- IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.
- IFRS 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk.
- IFRS 16 supersedes the following standards and interpretations:
  - (a) IAS 17: *Leases*;
  - (b) IFRIC 4: *Determining whether an arrangement contains a lease*;
  - (c) SIC-15: *Operating leases – incentives*; and
 SIC-27: *Evaluating the substance of transactions involving the legal form of a lease*, effective 1 January 2019.

On adoption of IFRS 16 operating lease costs will no longer be recognised as operating expenses. The extent of the reduction in lease expenses is dependent on the application of the practical expedients in IFRS 16 regarding the separation of lease and non-lease components and the impact of the application of the low value asset exemption.

The new standard will require the recognition of lease liabilities and corresponding right-of-use assets. The group will recognise depreciation on the right-of-use assets and interest on the lease liabilities over the lease term in profit or loss.

The initial lease liabilities and right-of-use assets recognised upon transition to IFRS 16 would likely be representative of the non-cancellable lease commitments, discounted at an appropriate rate as applicable to the operation in which the lease arises, after taking into account the impact of the practical expedients and transitional elections applied by the group.

It is anticipated that while the EBITDA and the related EBITDA margin will improve, depreciation and finance charges will also increase significantly. Due to the impact of reducing finance charges over the life of the lease, the impact on earnings will initially be dilutive, before being accretive in later periods.

# Notes to the group financial statements

for the year ended 31 December 2018

|   | 2018          |                                      |                            | 2017          |                                      |                            |
|---|---------------|--------------------------------------|----------------------------|---------------|--------------------------------------|----------------------------|
|   | Cost<br>R'000 | Accumulated<br>depreciation<br>R'000 | Carrying<br>value<br>R'000 | Cost<br>R'000 | Accumulated<br>depreciation<br>R'000 | Carrying<br>value<br>R'000 |
| <b>1. Property, plant and equipment</b> |               |                                      |                            |               |                                      |                            |
| Computer equipment                      | 10 067        | (5 319)                              | 4 748                      | 28 328        | (21 765)                             | 6 563                      |
| Industrial equipment                    | 7 248         | (4 765)                              | 2 483                      | 8 636         | (6 057)                              | 2 579                      |
| Land and buildings                      | 2 700         | –                                    | 2 700                      | 2 700         | –                                    | 2 700                      |
| Leasehold improvements                  | 866           | (247)                                | 619                        | 1 736         | (1 175)                              | 561                        |
| Motor vehicles                          | 5 540         | (2 596)                              | 2 944                      | 10 005        | (5 550)                              | 4 455                      |
| Office equipment                        | 7 216         | (3 097)                              | 4 119                      | 18 265        | (14 194)                             | 4 071                      |
| Training manuals                        | 5 405         | (2 752)                              | 2 653                      | 9 807         | (7 177)                              | 2 630                      |
|   | <b>39 402</b> | <b>(18 776)</b>                      | <b>20 266</b>              | <b>79 477</b> | <b>(55 918)</b>                      | <b>23 559</b>              |

The carrying value of property, plant and equipment can be reconciled as follows:

|   | Computer<br>equipment<br>R'000 | Industrial<br>equipment<br>R'000 | Land and<br>Buildings<br>R'000 | Leasehold<br>improvements<br>R'000 | Motor<br>vehicles<br>R'000 | Office<br>equipment<br>R'000 | Training<br>manuals<br>R'000 | Total<br>R'000 |
|---|--------------------------------|----------------------------------|--------------------------------|------------------------------------|----------------------------|------------------------------|------------------------------|----------------|
| Carrying value at 1 January 2017          | 4 140                          | 1 872                            | 2 700                          | 130                                | 3 693                      | 2 827                        | 2 653                        | 18 015         |
| Additions                                 | 5 166                          | 1 060                            | –                              | 534                                | 3 099                      | 1 177                        | 1 032                        | 12 068         |
| Disposals                                 | (22)                           | –                                | –                              | (6)                                | (317)                      | (24)                         | (147)                        | (516)          |
| Acquired through business combinations    | 718                            | 686                              | –                              | –                                  | 421                        | 985                          | –                            | 2 810          |
| Depreciation                              | (3 439)                        | (1 039)                          | –                              | (97)                               | (2 441)                    | (894)                        | (908)                        | (8 818)        |
| Carrying value at 31 December 2017        | 6 563                          | 2 579                            | 2 700                          | 561                                | 4 455                      | 4 071                        | 2 630                        | 23 559         |
| Additions                                 | 2 537                          | 1 247                            | –                              | 242                                | 88                         | 1 666                        | 962                          | 6 742          |
| Disposals                                 | (21)                           | (5)                              | –                              | –                                  | (62)                       | (1)                          | –                            | (89)           |
| Acquired through business combinations    | 76                             | –                                | –                              | –                                  | –                          | 73                           | –                            | 149            |
| Depreciation                              | (4 407)                        | (1 338)                          | –                              | (184)                              | (1 537)                    | (1 690)                      | (939)                        | (10 095)       |
| <b>Carrying value at 31 December 2018</b> | <b>4 748</b>                   | <b>2 483</b>                     | <b>2 700</b>                   | <b>619</b>                         | <b>2 944</b>               | <b>4 119</b>                 | <b>2 653</b>                 | <b>20 266</b>  |

All depreciation charges are included in “Depreciation and amortisation of non-financial assets” in the statement of comprehensive income. No property, plant and equipment has been impaired during the year (2017: Nil).

The net book value of motor vehicles held under instalment credit agreements at 31 December 2018 amounted to R2 402 542 (2017: R3 785 842). Refer to note 10 for details of the instalment credit agreements. Motor vehicles acquired under instalment credit agreements amounted to R Nil (2017: R3 099 000). The instalment sales relate primarily to motor vehicles.

A 100% interest in Dyna group was acquired on 1 June 2018, in order to expand the group’s skilled artisan and technical segments in the engineering industry. Property, plant and equipment to the value of R149 000 was acquired as part of the business combination.

The directors have determined that the residual value of the buildings is equal to or exceeds the carrying value, therefore no depreciation has been provided for this category.

The group has no further contractual commitments to acquire property, plant and equipment at reporting date.

# Notes to the group financial statements (continued)

for the year ended 31 December 2018

|   | 2018<br>R'000  | 2017<br>R'000  |
|---|----------------|----------------|
| <b>2. Goodwill</b>  |                |                |
| Carrying value at the beginning of the year                             | 134 480        | 102 287        |
| Acquired through business combination (refer to note 28.1.6 and 28.2.6) | 56 750         | 32 193         |
| <b>Carrying value at the end of the year</b>                            | <b>191 230</b> | <b>134 480</b> |
| <b>Staff outsourcing</b>  |                |                |
| ▪ Workforce Staffing  | 4 275          | 4 275          |
| ▪ Telebest Holdings   | 31 190         | 31 190         |
| ▪ Allmed Healthcare Professionals                                       | 5 815          | 5 815          |
| ▪ Quyn group  | 39 134         | 39 134         |
| ▪ Gcubed  | 652            | 652            |
| ▪ Day-Click   | 885            | 885            |
| ▪ Oxyon Human Capital Solutions   | 8 977          | 8 977          |
| <b>Training</b>   |                |                |
| ▪ Prisma Training Solutions   | 21 221         | 21 221         |
| ▪ KBC Holdings  | 22 331         | 22 331         |
| ▪ Dyna group  | 56 750         | –              |
|   | <b>191 230</b> | <b>134 480</b> |

The recoverable amount of the cash-generating units are determined based on value-in-use calculations. The key assumptions for the value-in-use calculations are discount rates, growth rates and expected cash flows. Management estimates discount rates using rates that reflect current market assumptions of the time value of money and the risk specific to the industry. The growth rates and cash flow forecasts are based on approved budgets for the forthcoming financial year, as well as an estimation of growth forecasts specific to each cash-generating unit into the future. The values assigned to the key assumptions are reflective of past experience and are consistent with external sources of information.

Cash flow projections during the budget period are based on the same expected gross margins throughout the budget period. The directors believe that any reasonable possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit. Cash flows beyond that five-year period have been extrapolated using a steady 5% (2017: 5%) per annum growth rate. This growth rate does not exceed the long-term average growth rate.

The following rates have been used:

|                                 | Average<br>growth rate<br>for years<br>1 to 5<br>% |
|---------------------------------|--|
| <b>Staff outsourcing</b>        |  |
| Workforce Staffing              | 8,0  |
| Telebest Holdings               | 14,8   |
| Allmed Healthcare Professionals | 7,3  |
| Quyn group                      | 8,0  |
| Gcubed                          | 8,8  |
| Day-Click                       | 11,0   |
| Oxyon Human Capital Solutions   | 11,6   |
| <b>Training</b>                 |  |
| Prisma Training Solutions       | 9,2  |
| KBC Holdings                    | 8,3  |
| Dyna group                      | 9,2  |

|                                | 2018           |                                      |                            | 2017           |                                      |                            |
|--------------------------------|----------------|--------------------------------------|----------------------------|----------------|--------------------------------------|----------------------------|
|                                | Cost<br>R'000  | Accumulated<br>amortisation<br>R'000 | Carrying<br>value<br>R'000 | Cost<br>R'000  | Accumulated<br>amortisation<br>R'000 | Carrying<br>value<br>R'000 |
| <b>3. Intangible assets</b>    |                |                                      |                            |                |                                      |                            |
| Brands                         | 82             | (6)                                  | 76                         | 3 209          | (3 209)                              | –                          |
| Client relationships           | 42 194         | (27 842)                             | 14 352                     | 31 522         | (15 260)                             | 16 262                     |
| Computer software              | 74 733         | (45 069)                             | 29 664                     | 62 146         | (45 081)                             | 17 065                     |
| Training course accreditations | 20 620         | (2 406)                              | 18 214                     | –              | –                                    | –                          |
| Development costs              | 11 822         | –                                    | 11 822                     | 10 920         | –                                    | 10 920                     |
|                                | <b>149 451</b> | <b>(75 323)</b>                      | <b>74 128</b>              | <b>107 797</b> | <b>(63 550)</b>                      | <b>44 247</b>              |

The carrying amounts of intangible assets can be reconciled as follows:

|   | Brands<br>R'000 | Client<br>relationships<br>R'000 | Computer<br>software<br>R'000 | Training<br>course<br>accreditations<br>R'000 | Development<br>costs<br>R'000 | Total<br>R'000 |
|---|-----------------|----------------------------------|-------------------------------|---|-------------------------------|----------------|
| Carrying value at<br>1 January 2017           | 756             | 14 067                           | 15 755                        | –   | 8 552                         | 39 130         |
| Additions                                     | –               | –                                | 1 677                         | –   | 2 368                         | 4 045          |
| Disposals                                     | –               | –                                | (39)                          | –   | –                             | (39)           |
| Acquired through business<br>combinations     | –               | 12 012                           | 2 761                         | –   | –                             | 14 773         |
| Additions from internal<br>development        | –               | –                                | 3 600                         | –   | –                             | 3 600          |
| Amortisation                                  | (756)           | (9 817)                          | (6 689)                       | –   | –                             | (17 262)       |
| Carrying value at<br>31 December 2017         | –               | 16 262                           | 17 065                        | –   | 10 920                        | 44 247         |
| Additions                                     | 82              | –                                | 1 355                         | –   | 12 233                        | 13 670         |
| Additions from internal<br>development        | –               | –                                | 11 331                        | –   | (11 331)                      | –              |
| Acquired through business<br>combinations     | –               | 10 672                           | 3                             | 20 620  | –                             | 31 295         |
| Amortisation                                  | (6)             | (12 582)                         | (90)                          | (2 406)                                       | –                             | (15 084)       |
| <b>Carrying value at<br/>31 December 2018</b> | <b>76</b>       | <b>14 352</b>                    | <b>29 664</b>                 | <b>18 214</b>                                 | <b>11 822</b>                 | <b>74 128</b>  |

The above amortisation expense is included in “Depreciation and amortisation of non-financial assets” in the statement of comprehensive income. No intangible assets have been impaired during the year (2017: Nil). Computer software is mostly internally generated.

A 100% interest in Dyna group was acquired on 1 June 2018, in order to expand the group’s skilled artisan and technical segments in the engineering industry. Intangibles to the value of R31 295 000 was acquired as part of the business combination.

The group has no further contractual commitments to acquire intangible assets at reporting date. No restrictions exists over intangibles assets.

# Notes to the group financial statements (continued)

for the year ended 31 December 2018

|  | 2018<br>R'000 | 2017<br>R'000 |
|--|---------------|---------------|
| <b>4. Deferred tax assets and liabilities</b>  |               |               |
| Balance at the beginning of the year           | 32 485        | 27 410        |
| Acquired through business combinations         | 8 762         | 3 363         |
| Movement per statement of comprehensive income | (2 838)       | 1 712         |
| Balance at the end of the year                 | 38 409        | 32 485        |

Deferred tax balances are presented in the statement of financial position as follows:

|                          | 2018<br>R'000 | 2017<br>R'000 |
|--------------------------|---------------|---------------|
| Deferred tax assets      | 58 757        | 44 251        |
| Deferred tax liabilities | (20 348)      | (11 766)      |
|                          | 38 409        | 32 485        |

Deferred tax assets/(liabilities) arise from the following:

|  | Opening<br>balance<br>R'000 | Charge to<br>profit<br>or loss<br>R'000 | Acquired<br>through<br>business<br>combination<br>R'000 | Charge to<br>other<br>compre-<br>hensive<br>income<br>R'000 | Charge<br>direct to<br>equity<br>R'000 | Closing<br>balance<br>R'000 |
|--|-----------------------------|---|---|---|--|-----------------------------|
| <b>2018</b>  |                             |   |   |   |  |                             |
| <b>Temporary differences</b>                                 |                             |   |   |   |  |                             |
| Property, plant and equipment                                | (157)                       | (16)                                    | –   | –   | –                                      | (173)                       |
| Intangible assets  | (6 704)                     | 531                                     | –   | –   | –                                      | (6 173)                     |
| Intangible assets – acquired<br>through business combination | (3 363)                     | –                                       | (8 763)   | –   | –                                      | (12 126)                    |
| Doubtful debts   | 17 133                      | (403)                                   | –   | –   | 16 442                                 | 33 172                      |
| Financial assets at fair value                               | (584)                       | (198)                                   | –   | –   | –                                      | (782)                       |
| Equity share-based payments                                  | 1 902                       | 699                                     | –   | –   | –                                      | 2 601                       |
| Provision for leave  | 2 827                       | (107)                                   | –   | –   | –                                      | 2 720                       |
| Income received in advance                                   | 4 587                       | (2 723)                                 | –   | –   | –                                      | 1 864                       |
| Prepaid expenses   | (337)                       | (540)                                   | –   | –   | –                                      | (877)                       |
| Fair value through other<br>comprehensive income             | (621)                       | –                                       | –   | 284   | –                                      | (337)                       |
| Prior year corrections recognised<br>in the current period   | –                           | (3 774)                                 | –   | –   | –                                      | (3 774)                     |
| Tax losses   | 17 802                      | 4 492                                   | –   | –   | –                                      | 22 294                      |
|  | 32 485                      | (2 039)                                 | (8 763)   | 284   | 16 442                                 | 38 409                      |

#### 4. Deferred tax assets and liabilities

Deferred tax assets/(liabilities) arise from the following:

| 2017  | Opening balance<br>R'000 | Charge to profit or loss<br>R'000 | Acquired through business combination<br>R'000 | Charge to other comprehensive income<br>R'000 | Charge direct to equity<br>R'000 | Closing balance<br>R'000 |
|---|--------------------------|-----------------------------------|--|---|----------------------------------|--------------------------|
| <b>Temporary differences</b>                              |                          |                                   |  |   |                                  |                          |
| Property, plant and equipment                             | (37)                     | (120)                             | –  | –   | –                                | (157)                    |
| Intangible assets   | (6 597)                  | (107)                             | –  | –   | –                                | (6 704)                  |
| Intangible assets – acquired through business combination | (1 143)                  | –                                 | (2 220)  | –   | –                                | (3 363)                  |
| Doubtful debts  | 14 651                   | 2 482                             | –  | –   | –                                | 17 133                   |
| Financial assets at fair value                            | –                        | (584)                             | –  | –   | –                                | (584)                    |
| Equity share-based payments                               | –                        | –                                 | –  | –   | 1 902                            | 1 902                    |
| Financial liabilities                                     | 392                      | (392)                             | –  | –   | –                                | –                        |
| Provision for leave                                       | 2 321                    | 506                               | –  | –   | –                                | 2 827                    |
| Income received in advance                                | 838                      | 3 749                             | –  | –   | –                                | 4 587                    |
| Long-term financial liabilities                           | (1 418)                  | 1 418                             | –  | –   | –                                | –                        |
| Prepaid expenses  | (314)                    | (23)                              | –  | –   | –                                | (337)                    |
| Fair value through other comprehensive income             | 317                      | –                                 | –  | (938)   | –                                | (621)                    |
| Tax losses  | 18 400                   | (598)                             | –  | –   | –                                | 17 802                   |
|   | 27 410                   | 6 331                             | (2 220)  | (938)   | 1 902                            | 32 485                   |

Deferred tax assets on tax losses are only raised for companies that are expected to be profitable in the 2019 year. In making the above assessment, current foreseeable trends, as well as management approved budgets, were used. As a result of the aforementioned, management is confident that there will be sufficient taxable profits in the foreseeable future against which subsidiaries can utilise the recognised deferred tax asset. Taxable losses incurred by certain companies during the financial year can mostly be attributed to once-off losses as well as the effect of tax allowances on learnerships.

There were deductible temporary differences and unused tax losses of R Nil (2017: R2 884 million) for which no deferred tax asset has been recognised in the statement of financial position in the current or prior year.

#### 5. Other financial assets

Other financial assets comprise the following investment:

|  | 2018<br>R'000 | 2017<br>R'000 |
|--|---------------|---------------|
| <b>Fair value gain through other comprehensive income</b>  |               |               |
| Listed shares  |               |               |
| 4 616 907 (2017: 4 616 907) shares in Primeserv Limited at fair value  | 2 816         | 2 770         |
| The above instrument has been designated as fair value through other comprehensive income as it is not held for trading. |               |               |
| <b>Fair value through profit and loss</b>  |               |               |
| Investment in cell captive   | 3 490         | 2 605         |
|  | 6 306         | 5 375         |

See note 2 in accounting policies and see note 21.3 for reconciliation.

# Notes to the group financial statements (continued)

for the year ended 31 December 2018

|   | 2018<br>R'000 | 2017<br>R'000 |
|---|---------------|---------------|
| <b>5. Other financial assets (continued)</b>  |               |               |
| <b>Fair value through profit or loss</b>      |               |               |
| Gross   | 133           | (358)         |
| Taxation                                      | 38            | (103)         |
| Net   | 171           | (461)         |
| Movement in statement of comprehensive income | (171)         | 461           |

Also see note 21.3 for reconciliation.

## 6. Trade and other receivables

Trade and other receivables can be summarised as follows:

|  | 2018<br>R'000  | 2017<br>R'000  |
|--|----------------|----------------|
| Trade receivables  | 696 628        | 693 289        |
| Other receivables  | 38 159         | 21 100         |
|  | <b>734 787</b> | <b>714 389</b> |
| <b>Trade receivables</b>   |                |                |
| Trade receivables can be analysed as follows for the periods under review: |                |                |
| Net trade receivables excluding advances                                   | 511 703        | 505 036        |
| Gross trade receivables  | 548 571        | 524 108        |
| Impairment provisions  | (37 048)       | (19 072)       |
| Net advances   | 184 925        | 188 253        |
| Gross advances   | 287 301        | 250 768        |
| Impairment provisions  | (102 378)      | (62 515)       |
|  | <b>696 628</b> | <b>693 289</b> |

Trade and other receivables consist of a large number of customers, spread across diverse industries and geographical areas. Interest on advances are charged at rates compliant with the National Credit Act ("NCA") as prescribed by the National Credit Regulator ("NCR"). The management of this risk is set out in note 23.4.

During the year, the group discounted trade receivables to ABSA for cash proceeds. If the trade receivables are not paid at maturity date the bank has the right to request the group to pay the unsettled balance. As the group has not transferred the significant risks and rewards relating to these trade receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured borrowing. Refer to note 10.2.

At the end of the reporting period the carrying amount of the trade receivables that have been transferred but have not been derecognised amounted to R424 million (2017: R462 million) and the carrying amount of the associated liability is R250 million (2017: R243 million). Refer to note 10.

## 6. Trade and other receivables (continued)

### Other receivables

Other receivables comprise the following:

|                | 2018<br>R'000 | 2017<br>R'000 |
|----------------|---------------|---------------|
| Deposits       | 3 743         | 3 062         |
| Staff debtors  | 2 183         | 3 864         |
| Sundry debtors | 32 233        | 14 174        |
|                | <b>38 159</b> | <b>21 100</b> |

Included in trade and other receivables are amounts due to the group in respect of the employment tax incentive programme.

Amounts claimed for Employment Tax Incentive ("ETI") can be reconciled as follows:

|   | 2018<br>R'000 | 2017<br>R'000 |
|---|---------------|---------------|
| Opening balance   | 10 958        | 10 375        |
| Claims submitted and recognised in financial statements | 62 903        | 66 595        |
| Grants received   | (59 437)      | (66 012)      |
|   | <b>14 424</b> | <b>10 958</b> |

The R62 903 000 (2017: R61 457 000) grants recognised have been set off against cost of sales.

### Impairment provisions

Impairment provisions can be summarised as follows:

|   | 2018<br>R'000  | 2017<br>R'000 |
|---|----------------|---------------|
| Trade receivables                           | 37 048         | 19 072        |
| Advances                                    | 102 376        | 62 515        |
|   | <b>139 424</b> | <b>81 587</b> |
| Days sales outstanding (excluding advances) | <b>53</b>      | <b>53</b>     |

The information about the credit risk exposure on the group's trade receivables using the provision matrix is as follows:

| Amounts in R'000           | Current | 30 days | 60 days | 90 days | 120 days | Total   |
|----------------------------|---------|---------|---------|---------|----------|---------|
| <b>31 December 2018</b>    |         |         |         |         |          |         |
| Average expected loss rate | 0%      | 1%      | 3%      | 5%      | 53%      |         |
| Gross carrying amount      | 296 286 | 139 277 | 33 951  | 18 361  | 60 876   | 548 751 |
| Loss provision             | 1 265   | 1 283   | 1 051   | 999     | 32 450   | 37 048  |
| <b>1 January 2018</b>      |         |         |         |         |          |         |
| Average expected loss rate | 0%      | 1%      | 7%      | 22%     | 42%      |         |
| Gross carrying amount      | 294 244 | 122 988 | 45 273  | 14 426  | 47 177   | 524 108 |
| Loss provision             | 1 409   | 1 155   | 3 210   | 3 165   | 39 084   | 48 023  |

# Notes to the group financial statements (continued)

for the year ended 31 December 2018

## 6. Trade and other receivables (continued)

The information about credit risk exposure on the group's advances is as follows:

| Amounts in R'000           | Stage 1 | Stage 2 | Stage 3 | Total   |
|----------------------------|---------|---------|---------|---------|
| <b>31 December 2018</b>    |         |         |         |         |
| Average expected loss rate | 18%     | 43%     | 26%     | 36%     |
| Gross carrying amount      | 42 554  | 183 652 | 59 566  | 285 772 |
| Loss provision             | 7 575   | 79 162  | 15 639  | 102 396 |
| <b>1 January 2018</b>      |         |         |         |         |
| Average expected loss rate | 23%     | 46%     | 20%     | 38%     |
| Gross carrying amount      | 21 845  | 169 987 | 52 859  | 244 691 |
| Loss provision             | 4 960   | 77 595  | 10 719  | 93 274  |

| Amounts in R'000                                     | Simplified approach | Stage 1 | Stage 2 | Stage 3 | Total   |
|--|---------------------|---------|---------|---------|---------|
| Opening balance                                      | 48 023              | 4 960   | 77 595  | 10 719  | 141 297 |
| Changes due to credit risk movement (between stages) | (10 975)            | 2 615   | 1 567   | 4 920   | 1 873   |
| Closing balance                                      | 37 048              | 7 575   | 79 162  | 15 639  | 139 424 |

## 7. Inventories

Inventories can be analysed as follows:

|             | 2018<br>R'000 | 2017<br>R'000 |
|-------------|---------------|---------------|
| Consumables | 281           | 308           |
| Merchandise | 4 684         | 3 238         |
|             | 4 965         | 3 546         |

The cost of inventories recognised as an expense during the year, was R8,6 million (2017: R8 million). No write-downs of inventory to net realisable value have been made. No inventories are encumbered.

## 8. Cash and cash equivalents

Cash and cash equivalents include the following components:

|                          | 2018<br>R'000 | 2017<br>R'000 |
|--------------------------|---------------|---------------|
| Cash at bank and in hand | 41 525        | 25 488        |
| Short-term deposits      | 23            | 60            |
|                          | 41 548        | 25 548        |

|   | Number of<br>shares<br>2018 | Number of<br>shares<br>2017 |
|---|-----------------------------|-----------------------------|
| <b>9. Stated capital</b>                              |                             |                             |
| <b>Authorised</b>                                     |                             |                             |
| 1 000 000 000 ordinary no par value shares            |                             |                             |
| <b>Issued</b>   |                             |                             |
| In issue at the beginning of the year                 | 243 731 343                 | 243 731 343                 |
| <b>Treasury shares</b>                                |                             |                             |
| Balance at the beginning of the year                  | 14 395 485                  | 15 152 811                  |
| Share buy-back  | 2 689 894                   | 1 575 000                   |
| Shares distributed in respect of share-based payments | –                           | (2 332 326)                 |
| Balance at the end of the year                        | 17 085 379                  | 14 395 485                  |

|   | 2018<br>R'000 | 2017<br>R'000 |
|---|---------------|---------------|
| <b>Issued</b>   |               |               |
| Balance at the beginning of the year                  | 234 051       | 241 867       |
| Equity-settled share options                          | –             | (7 816)       |
| Balance at the end of the year                        | 234 051       | 234 051       |
| <b>Treasury shares</b>                                |               |               |
| 14 370 000 shares                                     |               |               |
| Balance at the beginning of the year                  | (7 658)       | (9 330)       |
| Share buy-back  | (3 500)       | (3 124)       |
| Shares distributed in respect of share-based payments | –             | 4 796         |
| Balance at the end of the year                        | (11 158)      | (7 658)       |

The company has one class of ordinary shares which carry no right to fixed income.

## 10. Financial liabilities

Financial liabilities include the following:

|   | Current       |               | Non-current   |               |
|---|---------------|---------------|---------------|---------------|
|   | 2018<br>R'000 | 2017<br>R'000 | 2018<br>R'000 | 2017<br>R'000 |
| <b>Secured liabilities at amortised cost</b>                                |               |               |               |               |
| 10.1 Loan from Simgarvin Proprietary Limited                                | –             | –             | 8 045         | 7 783         |
| Gross amount owing  | –             | –             | 9 112         | 9 112         |
| Imputed interest  | –             | –             | (1 067)       | (1 329)       |
| 10.2 Invoice discounting facility bearing interest at 0,5% below prime rate | 250 385       | 243 046       | –             | –             |
| 10.3 Loan facility bearing interest at prime rate plus 3%                   | –             | 14 991        | –             | –             |
| 10.4 Loan facility bearing interest at JIBAR rate plus 3,6%                 | –             | –             | 30 000        | –             |

# Notes to the group financial statements (continued)

for the year ended 31 December 2018

|   | Current        |                | Non-current   |               |
|---|----------------|----------------|---------------|---------------|
|   | 2018<br>R'000  | 2017<br>R'000  | 2018<br>R'000 | 2017<br>R'000 |
| <b>10. Financial liabilities (continued)</b>                              |                |                |               |               |
| 10.5 Loan facility bearing interest at prime rate plus 3%                 | 11 558         | –              | –             | –             |
| 10.6 Instalment sale liabilities  | 975            | 956            | 1 370         | 2 110         |
| <b>Financial liabilities carried at fair value through profit or loss</b> |                |                |               |               |
| 10.7 Business combination contingent consideration payable                |                |                |               |               |
| Prior year  | 13 741         | 19 733         | 3 046         | 16 514        |
| Current year (refer to note 27.1.3)                                       | 5 061          | –              | 45 124        | –             |
|   | <b>281 720</b> | <b>278 726</b> | <b>87 585</b> | <b>26 407</b> |

10.1 The loan from Simgarvin Proprietary Limited is secured by shares held in Workforce Holdings Limited. The loan is interest free and is repayable on 31 December 2020.

10.2 The group has entered into an invoice discounting and cession of debtors agreement with ABSA for a borrowing facility of R350 million (2017: R350 million) secured by cession of debtors and inter-group loan accounts. A subsidiary is bound as surety and co-principal debtor to the bank for due and punctual payment of the debtors. At year end, trade receivables to the value of R424 725 769 (2017: R400 299 773) were ceded to the bank. (Refer to note 6 on trade and other receivables.)

The group retained significant risk and reward of ownership of the trade receivables due to ABSA's right of recourse against the group for any default of the debtor. The associated loan is granted by ABSA Bank on 80% of the value of trade receivables excluding advances, ceded to ABSA. The net position of the transferred assets and associated liability is an amount of R174 million, which is the difference between the fair value of the assets transferred of R424 million and the fair value of the liability being R250 million. (Refer to note 6 on trade and other receivables).

10.3 Babereki Employee Support Services Proprietary Limited, a subsidiary of the group, ended their short-term facility with Mercantile Bank of R15 million. This facility was secured by an unlimited pledge and cession of all present and future book debts of Babereki Employee Support Services Proprietary Limited. The amount of book debts of the subsidiary amounted to R181 million (2017: R188 million). (Refer to note 6.)

10.4 The group entered into a short-term loan to a limit of R30 million with ABSA Bank, this facility is charged at the JIBAR rate of interest which is settled monthly and the capital portion is fully repayable by August 2020. The facility is secured by a cession of inter-group loan accounts.

10.5 Babereki Employee Support Services Proprietary Limited, a subsidiary of the group, had a short-term facility with Absa Bank to a limit of R30 million (2017: R Nil). This facility was secured by an unlimited pledge and cession of all present and future book debts of Babereki Employee Support Services. The amount of book debts of the subsidiary amounted to R181 million (2017: R188 million) (Refer to note 6 on trade and other receivables.)

10.6 Instalment sale liabilities are secured over motor vehicles with a carrying value of R1 177 684 (2017: R3 785 842) bearing interest at rates approximating the prime overdraft rate and repayable in monthly instalments of R99 217 (2017: R121 600). (Refer to note 1 on property, plant and equipment.)

10.7 The contingent consideration of R50 185 000 is related to the acquisition of Dyna group of companies which were acquired in the current year. This contingent consideration is discussed in note 27.

Other financial liabilities include R16 737 000 representing the estimated fair value of the contingent consideration relating to the acquisition of KBC Holdings, and Prisma Training Solutions (acquired in the prior year).

|                                     | 2018<br>R'000  | 2017<br>R'000  |
|-------------------------------------|----------------|----------------|
| <b>11. Trade and other payables</b> |                |                |
| Trade creditors                     | 48 617         | 33 266         |
| Audit fee accrual                   | –              | 650            |
| Payroll liabilities                 | 29 657         | 26 009         |
| Accrual for paid annual leave       | 16 225         | 13 257         |
| Other payables                      | 47 036         | 63 732         |
|                                     | <b>141 535</b> | <b>136 914</b> |

## 12. Revenue

An analysis of the group's revenue for the year is as follows:

|  | 2018<br>R'000    | 2017<br>R'000    |
|--|------------------|------------------|
| Revenue from the rendering of services | 2 916 150        | 2 759 721        |
| Interest income on customer loans      | 72 460           | 24 608           |
| Sale of goods                          | 25 836           | 23 561           |
|  | <b>3 014 446</b> | <b>2 807 890</b> |

See note 19 and note 2 in accounting policies for an analysis of revenue by major products and services.

|   | 2018<br>R'000  | 2017<br>R'000 |
|---|----------------|---------------|
| <b>13. Finance income</b>   |                |               |
| Bank deposits   | 2 829          | 1 486         |
|   | <b>2 829</b>   | <b>1 486</b>  |
| <b>14. Finance costs</b>  |                |               |
| Interest on short-term borrowings   | 20 742         | 18 852        |
| Amounts paid to vendors   | –              | 1 055         |
| Interest on bank overdrafts   | 4 884          | 3 453         |
|   | <b>25 626</b>  | <b>23 360</b> |
| <b>15. Taxation</b>   |                |               |
| <b>Taxation recognised in profit and loss</b>   |                |               |
| Current tax expense   |                |               |
| Current year  | –              | (47)          |
| Prior year  | –              | 1 619         |
| Reversal of deferred tax  |                |               |
| Reversal of temporary differences   | 2 133          | 5 075         |
| Prior year adjustments  | (4 172)        | 4 172         |
|   | <b>(2 039)</b> | <b>10 819</b> |
| Taxation recognised in other comprehensive income   | (38)           | (103)         |
| Deferred tax – Fair value remeasurement of fair value on other comprehensive income on financial assets | (38)           | (103)         |

# Notes to the group financial statements (continued)

for the year ended 31 December 2018

|  | 2018<br>R'000   | 2017<br>R'000   |
|--|-----------------|-----------------|
| <b>15. Taxation (continued)</b>  |                 |                 |
| <b>Taxation recognised in profit and loss</b>  |                 |                 |
| Estimated tax losses of subsidiaries of the group for utilisation against future taxable income: |                 |                 |
| Tax losses recognised for deferred tax   | 79 620          | 63 577          |
| Tax losses not recognised for deferred tax   | –               | 2 884           |
|  | <b>79 620</b>   | <b>66 461</b>   |
| <b>Reconciliation of the tax expenses</b>  |                 |                 |
| <i>Reconciliation between accounting profit and tax expense</i>                                  |                 |                 |
| Accounting profit  | <b>106 423</b>  | 85 985          |
| Tax at the applicable tax rate of 28% (2017: 28%)  | <b>29 798</b>   | 24 076          |
| <b>Tax effect of adjustments on taxable income</b>   |                 |                 |
| <b>Non-taxable income</b>  |                 |                 |
| Learnership tax allowances   | <b>(12 728)</b> | (13 435)        |
| Employment tax incentive   | <b>(17 612)</b> | (18 645)        |
| <b>Non-deductible expenses</b>   |                 |                 |
| Donations  | <b>78</b>       | 69              |
| Fair value adjustment  | <b>2 353</b>    | –               |
| Prior year adjustment  | <b>(35)</b>     | –               |
| Unrecognised deferred tax asset  | <b>–</b>        | (2 884)         |
|  | <b>1 854</b>    | <b>(10 819)</b> |
| <b>16. Profit for the year</b>   |                 |                 |
| Profit before taxation for the year has been arrived at after charging/(crediting):              |                 |                 |
| <b>Gains on disposal of property, plant and equipment</b>  | <b>(172)</b>    | (555)           |
| <b>Fair value adjustments</b>  |                 |                 |
| Cell captive   | <b>885</b>      | (2 205)         |
| Fair value contingent consideration  | <b>5 360</b>    | (10 365)        |
| <b>Government grants received for Employment Tax Incentive – refer to note 6</b>                 | <b>(62 903)</b> | (66 595)        |
| <b>Employee contribution expense</b>   |                 |                 |
| Contribution to provident fund   | <b>26 448</b>   | 23 097          |
| <b>Equity-settled share-based payments</b>   | <b>2 495</b>    | 5 227           |
| <b>Staff costs</b>   | <b>400 155</b>  | 329 748         |
| <b>Auditor's remuneration</b>  | <b>3 387</b>    | 2 333           |
| <b>Operating lease rentals</b>   |                 |                 |
| Premises   | <b>32 271</b>   | 29 882          |
| Equipment  | <b>5 251</b>    | 5 260           |
|  | <b>37 522</b>   | <b>35 142</b>   |

## 17. Earnings per share

### Basic earnings per share

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

|   | 2018<br>R'000 | 2017<br>R'000 |
|---|---------------|---------------|
| Profit attributable to equity shareholders of the parent company (R'000)  | 105 917       | 98 542        |
| Weighted average number of ordinary shares in issue ('000)  | 226 856       | 229 336       |
| Diluted weighted average number of shares in issue ('000)   | 231 634       | 238 973       |
| Basic earnings per share (cents)  | 46,7          | 43,0          |
| Diluted earnings per shares (cents)   | 45,7          | 41,2          |
| The weighted average number of ordinary shares for the purpose of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows: |               |               |
| Weighted average number of ordinary shares in issue ('000)  | 226 856       | 229 336       |
| Shares deemed to be issued for no consideration in respect of:  |               |               |
| Employee options  | 4 778         | 9 637         |
| Weighted average number of ordinary shares in the calculation of diluted earnings per share   | 231 634       | 238 973       |
| <b>Headline earnings per share</b>  |               |               |
| 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)  | 105 917       | 98 542        |
| Headline earnings adjustment (R'000)  | (3 832)       | (400)         |
| Gain on disposal of property, plant and equipment (R'000)   | –             | (555)         |
| Sale of subsidiary (R'000)  | (2 822)       |               |
| Tax effects of adjustments (R'000)  | –             | 155           |
| Total headline earnings (R'000)   | 103 095       | 98 142        |
| Weighted average number of shares in issue ('000)   | 226 856       | 229 336       |
| Headline earnings per share (cents)   | 45,4          | 42,8          |

## 18. Notes to the statement of cash flows

### 18.1 Cash generated from operations

|   |         |          |
|---|---------|----------|
| Profit before taxation  | 106 423 | 85 985   |
| Interest income   | (2 829) | (1 486)  |
| Other income  | (278)   | (1 032)  |
| Finance costs   | 25 626  | 23 360   |
| <b>Adjusted for non-cash items:</b>   |         |          |
| Gain on disposal of property, plant and equipment                               | –       | (555)    |
| Depreciation and amortisation of non-financial assets                           | 25 179  | 26 080   |
| Loss/(gain) arising on financial liability at fair value through profit or loss | 5 360   | (10 385) |
| Foreign exchange differences on translation of foreign operations               | 549     | –        |
| Expense recognised in respect of cash-settled share-based payment               | (3 667) | 1 666    |
| Expense recognised in respect of equity-settled share-based payment             | 2 495   | 5 227    |
|   | 158 858 | 128 860  |

### 18.2 Taxation paid

|                              |         |         |
|------------------------------|---------|---------|
| Charged to profit or loss    | (1 854) | 10 819  |
| Adjusted for deferred tax    | 2 256   | (9 210) |
| Movement in taxation balance | (1 038) | (971)   |
|                              | (636)   | 638     |

# Notes to the group financial statements (continued)

for the year ended 31 December 2018

|   | 2018<br>R'000   | 2017<br>R'000   |
|---|-----------------|-----------------|
| <b>18. Notes to the statement of cash flows (continued)</b>                                       |                 |                 |
| <b>18.3 Working capital changes</b>   |                 |                 |
| Change in trade and other receivables   | (80 047)        | (100 527)       |
| Change in inventories   | (1 419)         | (486)           |
| Change in trade and other payables  | 970             | 9 307           |
|   | <b>(80 496)</b> | <b>(91 706)</b> |
| <b>18.4 Net cash flow on acquisition of business combinations</b>                                 |                 |                 |
| Net cash outflow on the acquisitions of business combination – refer to note 27                   | (28 888)        | (21 959)        |
| Net cash outflow on the acquisitions of subsidiaries – prior year acquisitions – refer to note 10 | (20 368)        | (21 179)        |
|   | <b>(49 256)</b> | <b>(43 138)</b> |

## 18.5 Equity-settled share-based payments

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

|  | 1 January<br>2018 | Cash<br>flows  | Non-cash<br>flows | 31 December<br>2018 |
|--|-------------------|----------------|-------------------|---------------------|
| <b>18.6 Changes in liabilities arising from financing activities</b> |                   |                |                   |                     |
| Non-current treasury share loan                                      | 7 783             | –              | 262               | 8 045               |
| Interest-bearing borrowings  | 258 037           | (7 652)        | –                 | 250 385             |
| Instalment sales liabilities   | 3 066             | (721)          | –                 | 2 345               |
|  | <b>268 886</b>    | <b>(8 373)</b> | <b>262</b>        | <b>260 775</b>      |

## 19. Segment reporting

During the reporting period, the group re-organised its segments and formed six business clusters comprising the different business activities, and placed each cluster under an independent management team. As the formation of these clusters has been in transition since late last year, our financial segmental reporting for the 2018 year will not reflect the new cluster structure identically, but is structured as follows:

- Staffing and outsourcing (includes recruitment and Africa) – comprising temporary employment services, functional outsourcing, permanent recruitment, executive search, specialist staffing, payroll management, HR and IR consulting and turnkey staffing solutions.
- Training – comprising accredited short courses, skills programmes, full qualifications, learnerships and apprenticeship programmes, adult education training and contractor on-boarding.
- Financial services – comprising death and disability cover, funeral cover, hospital cover, day-to-day medical insurance and financial and mobile products and services.
- Healthcare – comprising recruitment and placement of medical professionals for hospitals and frail-care homes, primary and occupational healthcare services, employee health and wellness programmes and health risk assessment.

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

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

Due to the above change in reporting segments, the prior year's segment information has been restated.

## 19. Segment reporting (continued)

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

|  | Staffing<br>and<br>outsourcing<br>R'000 | Training<br>R'000 | Financial<br>services<br>R'000 | Healthcare<br>R'000 | Shared<br>Services<br>and<br>Central<br>costs<br>R'000 | Consoli-<br>dation<br>entries<br>R'000 | Total<br>R'000 |
|--|---|-------------------|--------------------------------|---------------------|--|--|----------------|
| <b>2018</b>  |   |                   |                                |                     |  |  |                |
| Segment revenues   | 2 437 008                               | 230 909           | 101 873                        | 244 461             | 195  | –                                      | 3 014 446      |
| Inter segment revenue                                    | 27 894                                  | 16 187            | –                              | 1 582               | –  | (45 663)                               | –              |
| Cost of sales  | (2 001 994)                             | (111 317)         | (39 364)                       | (174 508)           | 4 030  | –                                      | (2 323 153)    |
| Inter-segment cost of sales                              | (25 875)                                | –                 | –                              | (62)                | –  | 25 937                                 | –              |
| Operating costs  | (282 880)                               | (69 833)          | (48 242)                       | (45 938)            | (87 741)   | –                                      | (534 634)      |
| Inter-segment operating costs                            | (1 958)                                 | (16 186)          | –                              | (1 582)             | –  | 19 726                                 | –              |
| Other income   | 128                                     | 141               | –                              | 23                  | (14)   | –                                      | 278            |
| EBITDA   | 152 323                                 | 49 901            | 14 267                         | 23 976              | (83 530)   | –                                      | 156 937        |
| Fair value adjustment                                    | –                                       | (885)             | 884                            | –                   | (5 359)  | –                                      | (5 360)        |
| Depreciation and amortisation<br>of non-financial assets | (2 742)                                 | (3 082)           | (1 221)                        | (1 511)             | (1 030)  | (15 594)                               | (25 179)       |
| Finance income   | 853                                     | 1 908             | 42                             | 24                  | 2  | –                                      | 2 829          |
| Finance costs  | (2 573)                                 | (1 549)           | (12 413)                       | (2 241)             | (6 850)  | –                                      | (25 626)       |
| Profit on sale of subsidiary                             | –                                       | –                 | –                              | –                   | –  | 2 822                                  | 2 822          |
| Segment profit/(loss) before tax                         | 147 861                                 | 46 293            | 1 559                          | 20 248              | (96 767)   | (12 772)                               | 106 423        |
| Capital expenditure                                      | 2 446                                   | 3 761             | 143                            | 1 494               | 12 719   | 31 293                                 | 51 856         |
| Segment total assets                                     | 447 020                                 | 89 475            | 240 358                        | 23 202              | 519 538  | (185 386)                              | 1 134 208      |
| Segment total liabilities                                | (43 166)                                | (48 302)          | (298 921)                      | (2 706)             | (191 726)  | 53 632                                 | (531 188)      |
| Net segment assets/(liabilities)                         | 403 855                                 | 41 173            | (58 562)                       | 20 497              | 327 812  | (131 754)                              | 603 020        |
| <b>2017</b>  |   |                   |                                |                     |  |  |                |
| Segment revenues   | 2 357 165                               | 169 400           | 83 778                         | 195 733             | 1 814  | –                                      | 2 807 890      |
| Inter-segment revenue                                    | 23 085                                  | 17 681            | 1 474                          | –                   | –  | (42 240)                               | –              |
| Cost of sales  | (1 928 908)                             | (73 374)          | (29 207)                       | (137 958)           | (3 014)  | –                                      | (2 172 461)    |
| Inter-segment cost of sales                              | (22 400)                                | (8 566)           | –                              | –                   | –  | 30 966                                 | –              |
| Operating costs  | (266 799)                               | (76 621)          | (41 740)                       | (38 175)            | (89 552)   | –                                      | (512 887)      |
| Inter-segment operating costs                            | (685)                                   | (9 115)           | (1 474)                        | –                   | –  | 11 274                                 | –              |
| Other income   | 940                                     | 92                | –                              | –                   | –  | –                                      | 1 032          |
| EBITDA   | 162 398                                 | 19 497            | 12 831                         | 19 600              | (90 752)   | –                                      | 123 574        |
| Fair value adjustment                                    | –                                       | (3 465)           | 2 206                          | –                   | 11 624   | –                                      | 10 365         |
| Depreciation and amortisation<br>of non-financial assets | (2 583)                                 | (3 372)           | (1 838)                        | (1 960)             | (5 866)  | (10 435)                               | (26 080)       |
| Finance income   | 547                                     | 869               | 38                             | 11                  | 21   | –                                      | 1 486          |
| Finance costs  | (1 242)                                 | (2 605)           | (991)                          | (480)               | (18 042)   | –                                      | (23 360)       |
| Segment profit/(loss) before tax                         | 159 120                                 | 10 924            | 12 246                         | 17 171              | (103 015)  | (10 435)                               | 85 985         |
| Capital expenditure                                      | 9 737                                   | 8 599             | 1 891                          | 2 954               | 2 103  | 12 012                                 | 37 296         |
| Segment total assets                                     | 519 019                                 | 110 711           | 220 262                        | 24 587              | 312 728  | (191 149)                              | 996 158        |
| Segment total liabilities                                | (116 768)                               | (88 885)          | (262 785)                      | (3 845)             | (21 992)   | 40 462                                 | (453 813)      |
| Net segment assets/(liabilities)                         | 402 251                                 | 21 826            | (42 523)                       | 20 742              | 290 736  | (150 687)                              | 542 345        |

# Notes to the group financial statements (continued)

for the year ended 31 December 2018

## 19. Segment reporting (continued)

### Geographical information

The group's revenue from external customers and information regarding its segment assets (non-current assets excluding financial instruments, deferred tax assets and other financial assets) by geographical location are immaterial.

### Information about major customers

No single customers contributed 10% or more to the group's revenue in either 2018 or 2017.

## 20. Leases

### Operating leases as lessee

The group's non-cancellable operating lease commitments are as follows:

|  | 2018<br>R'000 | 2017<br>R'000 |
|--|---------------|---------------|
| Minimum future lease payments due:           |               |               |
| Not later than 1 year                        | 4 172         | 3 012         |
| Later than 1 year and not later than 5 years | 3 744         | 7 264         |
|  | <b>7 916</b>  | <b>10 276</b> |

Lease payments recognised as an expense during the year amount to R35,1 million (2017: R35,2 million). This amount consists of minimum lease payments. No sublease income is expected as all assets held under lease agreements are used exclusively by the group.

The group's operating lease agreements do not contain any contingent rent clauses. None of the operating lease agreements contain restrictions that would impose additional debt. Contract renewal options are assumed to be exercised by the group, unless decided otherwise by management. There are no contractual commitments to acquire property, plant and equipment and intangible assets.

## 21. Financial assets and financial liabilities

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

|  | Notes | 2018<br>R'000  | 2017<br>R'000  |
|--|-------|----------------|----------------|
| <b>Financial assets at amortised cost</b>                                |       | <b>751 930</b> | <b>739 937</b> |
| Trade and other receivables  | 6     | 710 382        | 714 389        |
| Cash and cash equivalents  | 8     | 41 548         | 25 548         |
| <b>Financial assets at fair value through other comprehensive income</b> |       | <b>2 816</b>   | <b>2 770</b>   |
| Quoted equity shares   | 5     | 2 816          | 2 770          |
| <b>Financial assets at fair value through profit and loss</b>            |       | <b>3 490</b>   | <b>2 605</b>   |
| Investment in cell captive   | 5     | 3 490          | 2 605          |
| <b>Total</b>   |       | <b>758 236</b> | <b>745 312</b> |
| <b>Total current</b>   |       | <b>751 930</b> | <b>739 937</b> |
| <b>Total non-current</b>   |       | <b>6 306</b>   | <b>5 375</b>   |

|   | Notes | 2018<br>R'000  | 2017<br>R'000  |
|---|-------|----------------|----------------|
| <b>21. Financial assets and financial liabilities (continued)</b>                     |       |                |                |
| <i>21.1.2 Set out below is an overview of financial liabilities held by the group</i> |       |                |                |
| <b>Financial liabilities at amortised cost</b>  |       |                |                |
| Trade and other payables  |       | 47 036         | 136 914        |
| Interest-bearing borrowings   |       | 250 385        | 258 037        |
| <b>Financial liabilities at fair value through profit and loss</b>                    |       |                |                |
| Contingent consideration  | 10    | 66 972         | 36 247         |
| Current   | 10    | 18 802         | 19 733         |
| Non-current   | 10    | 48 170         | 16 514         |
| Loan on treasury shares   | 10    | 8 045          | 7 783          |
| <b>Total</b>  |       | <b>372 438</b> | <b>438 981</b> |
| <b>Total current</b>  |       | <b>316 223</b> | <b>414 684</b> |
| <b>Total non-current</b>  |       | <b>56 215</b>  | <b>24 297</b>  |

A description of the group's risk management objectives and policies for financial instruments is given in note 23.

## 21.2 Fair value measurement

### Fair values

Loans and receivables and financial liabilities at amortised cost – the carrying value of current receivables and liabilities measured at amortised cost approximates their fair value. The fair values of the majority of the non-current receivables and liabilities measured at amortised cost, other than for the instruments listed below, are also not significantly different to their carrying values.

# Notes to the group financial statements (continued)

for the year ended 31 December 2018

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

### 21.2 Fair value measurement (continued)

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

|  | Date of valuation | Total R'000 | Quoted prices in active markets Level 1 R'000 | Significant observable inputs Level 2 R'000 | Significant unobservable inputs Level 3 R'000 |
|--|-------------------|-------------|---|---|---|
| <b>Financial assets</b>  |                   |             |   |   |   |
| Quoted equity shares   | 31 December 2018  | 2 816       | 2 816   | –   | –   |
| Cell captive   | 31 December 2018  | 3 489       | –   | –   | 3 489   |
| <b>Financial liabilities</b>   |                   |             |   |   |   |
| Contingent consideration relating to business acquisition of Prisma Training Solutions Proprietary Limited | 31 December 2018  | (796)       | –   | –   | (796)   |
| Contingent consideration relating to business acquisition of KBC Health and Safety Proprietary Limited     | 31 December 2018  | (15 991)    | –   | –   | (15 991)                                      |
| Contingent consideration relating to business acquisition of the Dyna group                                | 31 December 2018  | (50 185)    | –   | –   | (50 185)                                      |
| As at 31 December 2017   |                   |             |   |   |   |
| <b>Financial assets</b>  |                   |             |   |   |   |
| Quoted equity shares   | 31 December 2017  | 2 770       | 2 770   | –   | –   |
| Cell captive   | 31 December 2017  | 2 605       | –   | –   | 2 605   |
| <b>Financial liabilities</b>   |                   |             |   |   |   |
| Loan on treasury shares  | 31 December 2017  | 7 783       | –   | –   | 7 783   |
| Contingent consideration relating to business acquisition  | 31 December 2017  | 16 514      | –   | –   | 16 514  |

| Valuation technique   | Significant unobservable inputs  | Sensitivity of the input to fair value   |
|---|--|--|
| Quoted bid prices in active market.   | N/A  | N/A  |
| Net asset value is used as a valuation where the underlying assets and liabilities have been assessed to represent the fair value of the investment. Due to the nature of the investment, specifically the significant composition of liquid assets and liabilities, the net value is seen to be the most appropriate representation of fair value. | Fair values of the cell captive's assets and liabilities.                | A 2% increase or decrease in the fair value of the underlying assets and liabilities should not result in a change in the fair value.  |
| Discounted cash flow method was used to capture the present value of the expected future economic benefits that will flow out of the group. Discount rate of 17,5% determined using the capital asset pricing model. Probability adjusted profits with ranges of R13 500 000 to R40 500 000 and R100 000 000, respectively.                         | Discount rate of 17,5% determined using the capital asset pricing model. | A 2% increase or decrease in the discount rate used while holding all other variables constant would decrease/increase the fair value of the loan by R15 920 (2017: R85 920). A slight change in the probability adjusted profits in isolation would not result in a significant change in fair value.   |
| Discounted cash flow method was used to capture the present value of the expected future economic benefits that will flow out of the group. Discount rate of 17,5% determined using the capital asset pricing model. Probability adjusted profits with ranges of R6 million to R16 million.   | Discount rate of 17,5% determined using the capital asset pricing model. | A 2% increase or decrease in the discount rate used while holding all other variables constant would decrease/increase the fair value of the loan by R318 820 (2017: R426 520). A slight change in the probability adjusted profits in isolation would not result in a significant change in fair value. |
| Discounted cash flow method was used to capture the present value of the expected future economic benefits that will flow out of the group. Discount rate of 17,5% determined using the capital asset pricing model. Probability adjusted profits with ranges of R5 million to R42 million.   | Discount rate of 17,5% determined using the capital asset pricing model. | A 2% increase or decrease in the discount rate used while holding all other variables constant would decrease/increase the fair value of the loan by R1 003 700 (2017: R Nil). A slight change in the probability adjusted profits in isolation would not result in a significant change in fair value.  |
| As above<br>As above  | As above<br>As above   | As above<br>As above   |
| As above  | As above   | As above   |
| As above  | As above   | As above   |

# Notes to the group financial statements (continued)

for the year ended 31 December 2018

|   | Investment<br>in cell<br>captive | Contingent<br>consideration | Total    |
|---|----------------------------------|-----------------------------|----------|
| <b>21. Financial assets and financial liabilities (continued)</b> |                                  |                             |          |
| <b>21.3 Reconciliation of level 3 fair value measurements</b>     |                                  |                             |          |
| <b>As at 31 December 2018</b>                                     |                                  |                             |          |
| Opening balance   | 2 605                            | (25 562)                    | (22 957) |
| Gain/(loss) in profit or loss*                                    | 211                              | (8 403)                     | (8 192)  |
| Additions   | –                                | (79 358)                    | (79 358) |
| Release on liability  | –                                | 46 351                      | 46 351   |
| Closing balance   | 2 816                            | (66 972)                    | (64 136) |
| <b>As at 31 December 2017</b>                                     |                                  |                             |          |
| Opening balance   | 400                              | (17 406)                    | (17 006) |
| Gain/(loss) in profit or loss                                     | 2 205                            | 6 844                       | 9 049    |
| Additions   | –                                | (21 326)                    | (21 326) |
| Release on liability  | –                                | 6 326                       | 6 326    |
| Closing balance   | 2 605                            | (25 562)                    | (22 957) |

\* Included in fair value adjustments in profit or loss.

## 22. Financial risk management

The group is exposed to various risks in relation to financial instruments. The group's financial assets and liabilities by category are summarised in note 22.1. The main types of risks are market risk, credit risk and liquidity risk.

The group's financial risk management is coordinated at its headquarters, in close cooperation with the board of directors, and focuses on actively securing the group's short to medium-term cash flows.

The group does not enter into or trade financial instruments for speculative purposes. Borrowings have, however, been structured in such a way, as to minimise financial risks, limit borrowing costs, as well as to facilitate growth. Borrowings are by and large secured by the securitisation of the group's debtors book.

The group is exposed to market risk through its use of financial instruments and specifically to interest rate risk, and certain other price risks, which result from both its operating and investing activities. Exposure to foreign currency risk is considered to be immaterial.

### 22.1 Interest rate risk management

The group is exposed to interest rate risk as it borrows funds, at rates linked to the prime overdraft rate. The group's ability to manage exposure to interest rate fluctuations is limited. However, interest rates are constantly monitored and the group will take steps to limit its exposure if possible.

Total interest-bearing borrowings amount to R249 million (2017: R259 million). Details of the interest rates payable are set out in note 10 and 12.

Sensitivity of profit to a reasonably possible change in interest rates of +/- 1% is illustrated by the following table:

|                         | Profit for the year |       |
|-------------------------|---------------------|-------|
|                         | R'000               | R'000 |
|                         | +1%                 | -1%   |
| <b>31 December 2018</b> | (2 280)             | 2 280 |
| 31 December 2017        | (2 802)             | 2 802 |

## 22. Financial risk management (continued)

### 22.1 Interest rate risk management (continued)

Management's expectation is that interest rates may increase. The group's sensitivity to interest rate fluctuations has not changed significantly from the prior year. The interest rate sensitivity has been calculated, applying the closing borrowing rate on the average borrowing amount for the year.

### 22.2 Other price risk sensitivity

The group is exposed to equity price risk arising from an equity investment as set out in note 5. Equity investments are considered to be long-term and held for strategic rather than trading purposes.

The impact on profit and equity if equity prices had been 5% higher/lower is illustrated by the following table:

|                         | Profit for<br>the year<br>R'000 | R'000 | Other equity<br>reserves<br>R'000 | R'000        |
|-------------------------|---------------------------------|-------|-----------------------------------|--------------|
|                         | +5%                             | -5%   | +5%                               | -5%          |
| <b>31 December 2018</b> |                                 |       | <b>306</b>                        | <b>(306)</b> |
| 31 December 2017        |                                 |       | 143                               | (143)        |

Management's view is that the equity investment may increase in value during the 2019 financial year. As the shares are classified as fair value through other comprehensive income, no effect on profit or loss would have occurred, unless where any decline in fair value to below cost resulted from the impairment of the asset. The group's sensitivity to equity prices has not changed significantly from the prior year.

The equity price risk has been calculated, applying the percentage movement on closing financial assets for the year.

The entity is not exposed to any foreign currency fluctuations.

### 22.3 Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group.

The group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The information is supplied by independent rating agencies where available and, if not available, the group uses other publicly available financial information and its own trading records to rate its major customers. The group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by management on an annual basis.

The group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at reporting date, as summarised below:

|                           | 2018<br>R'000  | 2017<br>R'000  |
|---------------------------|----------------|----------------|
| Net trade receivables     | 511 703        | 505 036        |
| Other receivables         | 13 754         | 19 897         |
| Net advances              | 184 925        | 188 253        |
| Cash and cash equivalents | 41 548         | 25 548         |
|                           | <b>751 930</b> | <b>738 734</b> |

All the above financial assets that are not impaired or past due for each of the reporting dates under review are considered by management to be of good credit quality.

# Notes to the group financial statements (continued)

for the year ended 31 December 2018

## 22. Financial risk management (continued)

### 22.3 Credit risk management (continued)

The credit terms on rendering of services is 30 to 60 days and interest may be charged on all overdue outstanding balances. Ongoing credit evaluation is performed on the financial condition of accounts receivable. The average term of micro loans issued is five months.

The group has performed a detailed analysis of all past due amounts, and has impaired all amounts regarded as not collectable. Overdue amounts that have not been impaired are considered to be recoverable.

Before accepting any new customers, or increasing the credit limit allowed for an existing customer, the risk associated with the customer is assessed by the group's credit vetting department, using generally accepted vetting techniques. The acceptance of a new customer is authorised by senior management. For advances, the potential customer's credit quality, including relevant credit bureau checks, in compliance with the requirement of the National Credit Act (No 34 of 2005) is assessed.

At the reporting date, there are no customers representing more than 5% of the total balance of the trade receivables.

The group has entered into an invoice discounting and cession of debtors agreement with ABSA for a borrowing facility of R350 million (2017: R350 million) secured by cession of debtors. A subsidiary is bound as surety and co-principal debtor to the bank for due and punctual payment of the debtors. In management's opinion the sensitivity analysis is unrepresentative of the inherent risk because the exposure at the end of the reporting period does not reflect the exposure during the year. The amount of trade receivables of the subsidiary amounted to R424 million (2017: R302 million).

All accounts receivable amounts of the group have been transferred to ABSA Bank in terms of an invoice discounting and cession agreement. The group retained significant risk and reward of ownership of the trade receivables due to the terms and conditions of the contract. The associated loan is granted by ABSA Bank on 80% of the value of trade receivables excluding advances, ceded to ABSA.

The group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amount owed by the group to the counterparty.

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

#### Credit risk exposure – advances

The group grants unsecured loans. Credit concentration risk considered low due to the nature and distribution of the loan book, the average loan value advanced is R1 600 and customers range from various economic sectors and geographic regions. Exposure to systematic credit risk is regarded as being potentially higher due to the demographic and credit characteristics of the client base.

Measurement taken by the group to limit credit risk to acceptable levels included, inter alia, the applications of standard credit acceptance procedures to assess potential clients, daily monitoring collectible balances at both branch and head office level and monitoring the credit and risk committees. No security is obtained for loans and advances, and accordingly the entire balance as per the statement of financial positions is exposed to credit risk. We provide our customers with the option to take out the appropriate credit life insurance through a third party cell captive. The expose within the cell captive is fully reinsured to the reinsurance market. The credit quality of loans and advances is disclosed in note 6.

### 22.4 Liquidity risk management

The group manages liquidity risk by constantly monitoring its future commitments as well as available banking facilities and reserve borrowing facilities. Net cash requirements are compared to available borrowing facilities in order to determine headroom or any shortfalls and if available borrowing facilities are expected to be sufficient over the lookout period. The necessary remedial action is taken as and when required.

## 22. Financial risk management (continued)

### 22.4 Liquidity risk management (continued)

Liquidity needs are monitored on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day lookout period are identified monthly.

The group's contractual maturities (including interest payments where applicable) are summarised below:

|  | Current<br>within<br>six months<br>R'000 | Six to 12<br>months<br>R'000 | Non-current<br>one to five<br>years<br>R'000 | Later than<br>five years<br>R'000 |
|--|--|------------------------------|--|-----------------------------------|
| <b>2018</b>                              |  |                              |  |                                   |
| Loan on treasury shares                  | –  | –                            | 8 045  | –                                 |
| Bank loans                               | –  | 250 385                      | –  | –                                 |
| Instalment sale liabilities              | 488                                      | 488                          | 1 370  | –                                 |
| Amount due for acquisition of subsidiary | –  | –                            | 3 046  | –                                 |
| Trade and other payables                 | 94 498                                   | –                            | –  | –                                 |
|  | <b>94 986</b>                            | <b>250 873</b>               | <b>12 461</b>                                | <b>–</b>                          |
| <b>2017</b>                              |  |                              |  |                                   |
| Loan on treasury shares                  | –  | –                            | 7 783  | –                                 |
| Bank loans                               | –  | 243 046                      | –  | –                                 |
| Instalment sale liabilities              | 478                                      | 478                          | 2 110  | –                                 |
| Amount due for acquisition of subsidiary | –  | –                            | 16 514                                       | –                                 |
| Trade and other payables                 | 33 916                                   | –                            | –  | –                                 |
|  | <b>34 394</b>                            | <b>243 524</b>               | <b>26 407</b>                                | <b>–</b>                          |

The above amounts reflect the contractual undiscounted cash flows, which may differ to the carrying values of the liabilities at the reporting date.

## 23. Capital management

The group's capital management objectives are to ensure the group's ability to continue as a going concern, and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk. The group's overall strategy remains unchanged from 2017.

The group monitors capital through the optimisation of the debt and equity balance. The capital structure of the group consists of debt (borrowings, offset by cash and bank balances) and equity (comprising issued capital, reserves, retained earnings and non-controlling interests). The directors review the capital structure on an annual basis. As part of this review the cost of capital and the risks associated with each class of capital is considered.

The group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The group's goal in capital management is to maintain a debt equity ratio of between 0,4 and 0,7.

# Notes to the group financial statements (continued)

for the year ended 31 December 2018

## 23. Capital management (continued)

The gearing ratio for the reporting periods under review was as follows:

|                                | 2018<br>R'000 | 2017<br>R'000 |
|--------------------------------|---------------|---------------|
| Long and short-term borrowings | 369 305       | 305 133       |
| Cash and cash equivalents      | (41 548)      | (25 548)      |
| Net debt                       | 327 757       | 279 585       |
| Total equity                   | 603 020       | 542 345       |
| Net debt-to-equity ratio       | 0,54          | 0,52          |
| Total assets                   | 1 134 208     | 996 158       |
| Net-debt-to-assets ratio       | 0,29          | 0,28          |

## 24. Related party transactions

### 24.1 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:

|  | 2018<br>R'000 | 2017<br>R'000 |
|--|---------------|---------------|
| <b>Wellington Property Investments Proprietary Limited</b>   |               |               |
| Relationship: Director has significant influence   | 13 023        | 12 234        |
| Type and term of transaction: The operating lease contains an initial five-year term expiring on 31 May 2021 with an 8% annual escalation and is paid monthly. |               |               |
| <b>Vunani Capital Proprietary Limited</b>  |               |               |
| Relationship: Shareholder  | 114           | 114           |
| Type and term of transaction: Designated advisors' fees paid in terms of service level agreement.  |               |               |
| <b>Hunts Attorneys</b>   |               |               |
| Relationship: Director with an interest in a legal practice – RS Katz  | 799           | 3 577         |
| Type and term of transaction: Disbursements for all cost related to litigation, commercial and labour legal work and advice on group's behalf.                 |               |               |
| <b>Guardrisk Insurance Company Limited</b>   |               |               |
| Relationship: Cell captive arrangement (refer to note 25.3)  |               |               |
| Type and term of transaction: Insurance premium paid monthly to cell captive in line with policy.  | 1 071         | 1 687         |

## 24. Related party transactions (continued)

### 24.1 Transactions with related parties (continued)

|  |   | 2018<br>R'000 | 2017<br>R'000 |
|--|---|---------------|---------------|
| <b>Monte Legal Consultants Proprietary Limited</b> |   |               |               |
| Relationship:                                      | Shareholder                                       | 67            | 67            |
| Type and term of transaction:                      | Advisor's fees in terms of business acquisitions. |               |               |

### 24.2 Related-party loans

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

|   |   | 2018<br>R'000 | 2017<br>R'000 |
|---|---|---------------|---------------|
| <b>Simgarvan Investments Proprietary Limited – refer to note 10</b> |   |               |               |
| Relationship:   | Company controlled by a director of the group           | (8 045)       | (7 783)       |
| <b>Hunts Attorneys</b>  |   |               |               |
| Relationship:   | Director with an interest in a legal practice – RS Katz | 162           | 162           |

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

### 24.3 Interests in unconsolidated structured entity

The group is involved with an unconsolidated structured entity through a cell captive administrated by Guardrisk Insurance Company Limited, the company's purpose is to provide credit insurance to customers of the group's credit lending business, as well as insuring accidental death claims by employees. The group got involved in this entity as it seemed to be the most efficient vehicle to provide these services to employees and customers. Contractually, the group is obliged to make additional funds available should the cell captive not meet its solvency requirements. The maximum potential future loss associated with the cell captive is potentially unlimited by nature of this, agreement, in the event that the cell captive does not meet its solvency requirements. An actuarial opinion has however, been obtained which states that the group does not appear to be exposed to significant amounts of market, credit, liquidity or business risk in this regard.

The company has retained earnings of R3 489 495 (2017: R417 678) which the group can access through a dividend as and when liquidity ratios allow.

The entity is funded with a contribution to equity to the amount of R400 000 as well as contributions by lenders and staff, paid over as disclosed above. No additional financial support has been given to this entity outside of the initial R400 000 capital in a previous financial year.

|                                     | 2018<br>R'000 | 2017<br>R'000 |
|-------------------------------------|---------------|---------------|
| Assets of cell captive              | 3 955         | 2 967         |
| Current liabilities of cell captive | (466)         | (366)         |

# Notes to the group financial statements (continued)

for the year ended 31 December 2018

## 24. Related-party transactions (continued)

### 24.4 Subsidiaries

The company's directly owned subsidiaries are as follows:

| Direct subsidiaries                                 | % holding |
|---|-----------|
| Allmed Healthcare Professionals Proprietary Limited | 100       |
| DebtWorx Proprietary Limited                        | 100       |
| Fempower Personnel Proprietary Limited              | 100       |
| KBC Holdings Proprietary Limited                    | 100       |
| Molapo Quyn Outsourcing Proprietary Limited         | 100       |
| Nursing Emergencies Proprietary Limited             | 100       |
| Programmed Process Outsourcing Proprietary Limited  | 100       |
| Quyn HR Consulting Proprietary Limited              | 100       |
| Quyn International Outsourcing Proprietary Limited  | 100       |
| Quyn Payrolling Services Proprietary Limited        | 100       |
| Rapitrade 465 Proprietary Limited                   | 100       |
| Sizuluntu Northern Cape Proprietary Limited         | 48        |
| Sizuluntu Staffing Solutions Proprietary Limited    | 48        |
| Telebest Holdings Proprietary Limited               | 100       |
| The Workforce Group Proprietary Limited             | 100       |
| Workforce Management Services Proprietary Limited   | 100       |
| Workforce Outsourcing Proprietary Limited           | 100       |
| Training Force Holdings                             | 100       |
| Gauteng Wage Bureau Proprietary Limited             | 100       |
| Omniatrics Proprietary Limited                      | 100       |
| Programmed Sourcing Proprietary Limited             | 100       |
| The Cyber Academy Proprietary Limited               | 51        |

Details of the subsidiaries indirectly held are set out below:

| Indirect subsidiaries                                  | % holding |
|--|-----------|
| Angola The Workforce Group Limitada                    | 100       |
| Babereki Employee Support Services Proprietary Limited | 100       |
| Day-Click Limited                                      | 76        |
| Essential Employee Benefits Proprietary Limited        | 100       |
| Fads Proprietary Limited                               | 100       |
| Glen Moray Proprietary Limited                         | 100       |
| Interchange Business Consulting Proprietary Limited    | 100       |
| Jet Talent Proprietary Limited                         | 50        |
| KBC Health and Safety Proprietary Limited              | 100       |
| Khetha Staffing Services Proprietary Limited           | 100       |
| Only The Best Proprietary Limited                      | 100       |
| Pha Phama Africa Investments Proprietary Limited       | 100       |
| Pha Phama Africa Staff Services Proprietary Limited    | 100       |
| Prisma Training Solutions Proprietary Limited          | 100       |
| Teleresources Proprietary Limited                      | 100       |
| The Workforce Group Mauritius Limited                  | 100       |
| Training Force Namibia Proprietary Limited             | 100       |
| Training Force Proprietary Limited                     | 100       |

## 24. Related-party transactions (continued)

### 24.4 Subsidiaries (continued)

| Indirect subsidiaries                            | % holding |
|--|-----------|
| Workforce Finance Proprietary Limited            | 100       |
| Workforce Group Sociedade Unipessoal Limitada    | 100       |
| Workforce Health Care Proprietary Limited        | 50        |
| Workforce Software Proprietary Limited           | 100       |
| Workforce Worldwide Staffing Proprietary Limited | 100       |

The group owns 50% of Workforce Health Care Proprietary Limited and 50% of Jet Talent Proprietary Limited, 48% of Sizuluntu Staffing Solutions Proprietary Limited and 48% of Sizuluntu Northern Cape Proprietary Limited. However, based on the contractual agreements between the group and other investors, the relevant activities of Workforce Health Care Proprietary Limited and Jet Talent Proprietary Limited, Sizuluntu Staffing Solutions Proprietary Limited and Sizuluntu Northern Cape Proprietary Limited are determined by the board of directors of the group.

The Pha Phama Africa Employee Empowerment Trust and its subsidiary Pha Phama Africa Investments Proprietary Limited are consolidated in line with the requirements of IFRS 10: *Consolidated Financial Statements* and the subsidiary of the share trust is the beneficial owner of 14 370 000 (2017: 14 370 000) shares in Workforce Holdings Limited.

The cost of these shares amounted to R7 615 838 (2017: R7 615 838).

### 24.5 Remuneration implementation report

The remuneration of directors and other members of key management during the year was as follows:

|                                | Basic remuneration<br>R | Medical contributions<br>R | Allowances<br>R | Retirement contributions<br>R | Share incentive payments<br>R | Bonus and profit share<br>R | Total<br>R |
|--------------------------------|-------------------------|----------------------------|-----------------|-------------------------------|-------------------------------|-----------------------------|------------|
| <b>2018</b>                    |                         |                            |                 |                               |                               |                             |            |
| <b>Executive directors</b>     |                         |                            |                 |                               |                               |                             |            |
| PM Froom*                      | 2 300 234               | 39 240                     | 137 618         | 68 608                        | –                             | 360 000                     | 2 905 700  |
| RS Katz                        | 3 351 931               | 146 268                    | –               | –                             | –                             | 350 000                     | 3 848 199  |
| WP van Wyk                     | 1 881 673               | –                          | 12 000          | 93 061                        | –                             | 220 000                     | 2 206 734  |
| <b>Non-executive directors</b> |                         |                            |                 |                               |                               |                             | –          |
| I Ross**                       | 59 777                  | –                          | –               | –                             | –                             | –                           | 59 777     |
| JR Macey                       | 200 063                 | –                          | –               | –                             | –                             | –                           | 200 063    |
| KM Vundla                      | 112 603                 | –                          | –               | –                             | –                             | –                           | 112 603    |
| S Naidoo                       | 114 353                 | –                          | –               | –                             | –                             | –                           | 114 353    |
| S Thomas                       | 185 833                 | –                          | –               | –                             | –                             | –                           | 185 833    |
| <b>Prescribed officers</b>     |                         |                            |                 |                               |                               |                             |            |
| Employee A                     | 2 084 759               | 57 798                     | 153 876         | 106 414                       | –                             | 1 677 406                   | 4 080 253  |
| Employee B                     | 2 798 022               | 53 868                     | 510 851         | 141 596                       | –                             | 480 000                     | 3 984 337  |
| Employee C                     | 2 581 420               | 74 532                     | 653 631         | 127 702                       | –                             | 250 000                     | 3 687 285  |
|                                | 15 670 668              | 371 706                    | 1 467 976       | 537 381                       | –                             | 3 337 406                   | 21 385 137 |

\* Resigned 30 June 2018.

\*\* Appointed 13 August 2018.

# Notes to the group financial statements (continued)

for the year ended 31 December 2018

## 24. Related-party transactions (continued)

### 24.5 Remuneration implementation report (continued)

|                                | Basic remuneration<br>R | Medical contributions<br>R | Allowances<br>R | Retirement contributions<br>R | Share incentive payments<br>R | Bonus and profit share<br>R | Total<br>R |
|--------------------------------|-------------------------|----------------------------|-----------------|-------------------------------|-------------------------------|-----------------------------|------------|
| <b>2017</b>                    |                         |                            |                 |                               |                               |                             |            |
| <b>Executive directors</b>     |                         |                            |                 |                               |                               |                             |            |
| PM Froom*                      | 2 505 029               | 68 784                     | 255 268         | 209 350                       | –                             | 725 000                     | 3 763 431  |
| RS Katz                        | 3 195 615               | 133 056                    | –               | –                             | –                             | 300 000                     | 3 628 671  |
| WP van Wyk                     | 1 710 646               | –                          | 11 908          | 144 470                       | 445 500                       | 200 000                     | 2 512 524  |
| <b>Non-executive directors</b> |                         |                            |                 |                               |                               |                             | –          |
| S Naidoo                       | 114 353                 | –                          | –               | –                             | –                             | –                           | 114 353    |
| S Thomas                       | 185 833                 | –                          | –               | –                             | –                             | –                           | 185 833    |
| JR Macey                       | 200 063                 | –                          | –               | –                             | –                             | –                           | 200 063    |
| KM Vundla                      | 112 603                 | –                          | –               | –                             | –                             | –                           | 112 603    |
| <b>Prescribed officers</b>     |                         |                            |                 |                               |                               |                             | –          |
| Employee A                     | 2 633 306               | 49 626                     | 409 181         | 214 890                       | 297 000                       | 1 614 594                   | 5 218 597  |
| Employee B                     | 1 982 480               | 53 346                     | 54 907          | 169 227                       | 297 000                       | 1 159 928                   | 3 716 888  |
| Employee C                     | 1 415 891               | 49 980                     | 150 591         | 119 788                       | 297 000                       | 805 160                     | 2 838 410  |
|                                | 14 055 819              | 354 792                    | 881 855         | 857 725                       | 1 336 500                     | 4 804 682                   | 22 291 373 |

Compensation paid to key management personnel has all been done through The Workforce Group Proprietary Limited.

Prescribed officers above are not necessarily the same year-on-year.

\* Resigned 30 June 2018.

### 24.6 Directors' interest in share capital

The directors' interest in share capital at year-end and at the date of this report were as follows:

|             | <b>Beneficial</b>      |                          |
|-------------|------------------------|--------------------------|
|             | <b>Direct<br/>'000</b> | <b>Indirect<br/>'000</b> |
| <b>2018</b> |                        |                          |
| RS Katz     | –                      | 65 860                   |
| WP van Wyk  | 1 118                  | –                        |
| S Naidoo    | –                      | *                        |
|             | <b>1 118</b>           | <b>65 860</b>            |
| <b>2017</b> |                        |                          |
| RS Katz     | –                      | 65 860                   |
| PM Froom    | 339                    | –                        |
| WP van Wyk  | 1 118                  | –                        |
|             | <b>1 457</b>           | <b>65 860</b>            |

\* This director has an interest in Vunani Capital Proprietary Limited, which owns 42 900 000 shares in the company.

## 25. Equity-settled employee benefits

### 25.1 Equity-settled share-based payments

#### Details of the employee share appreciation rights scheme

The company has a share appreciation rights scheme for certain directors, management and staff of the company and its subsidiaries. In accordance with the terms of the scheme, as approved by shareholders at a previous annual general meeting, key staff members may be granted share appreciation rights. Any awards received under this scheme are required to be applied exclusively towards the subscription and/or purchase of ordinary shares in the company.

Each employee share appreciation right provides the employee with a call option where the payoff is the difference between the market value of the company share and the strike price of the share on exercise date. Employees receive shares in settlement of the equity-settled share-based payment scheme. The employees are given the option of retaining the shares granted, or selling the shares on the open market. No amounts are paid to dividends or voting rights. Share appreciation rights may be exercised at any time from the date of vesting until the date of their expiry.

|                                     | Number     | Vest date       | Grant date       | Exercise price (cents) | Fair value at grant date (cents) | Fair value total |
|-------------------------------------|------------|-----------------|------------------|------------------------|----------------------------------|------------------|
| Share appreciation rights issued on |            |                 |                  |                        |                                  |                  |
| 13 November 2017                    | 11 120 000 | 13 October 2020 | 10 November 2017 | 151                    | 70                               | 3 982 320        |
| 25 October 2016                     | 7 812 000  | 25 October 2019 | 25 October 2016  | 155                    | 96                               | 1 884 024        |

Included in the above allocation, the following have been granted to directors:

|            | 2018 | 2017      |
|------------|------|-----------|
| PM Froom   | –    | 5 000 000 |
| WP van Wyk | –    | 1 000 000 |

There are no share appreciation rights exercisable at the end of the current financial year.

#### Fair value of the share appreciation rights granted during the year

The fair value of the share appreciation rights is R25 994 150 (2017: R27 026 690) of which R2 494 933 (2017: R5 226 597) has been recognised in profit or loss and has been adjusted based on management's best estimate for the effects of non-transferability exercise restrictions and behavioural considerations.

# Notes to the group financial statements (continued)

for the year ended 31 December 2018

## 25. Equity-settled employee benefits (continued)

### 25.2 Movement in share options during the year

|                                      | 2018              |                                   | 2017              |                                    |
|--------------------------------------|-------------------|-----------------------------------|-------------------|------------------------------------|
|                                      | Number of options | Weighted average exercise price R | Number of options | Weighted average exercised price R |
| Balance at the beginning of the year | 33 674 000        | 1,51                              | 25 243 000        | 1,16                               |
| Options granted during the year      | –                 | 1,51                              | 17 331 000        | 1,51                               |
| Options forfeited during the year    | 1 060 000         | –                                 | –                 | –                                  |
| Options exercised during the year    | (5 435 000)       | 0,50                              | (8 900 000)       | 0,50                               |
|                                      | 29 299 000        | 1,70                              | 33 674 000        | 1,51                               |

|   | Number exercised | Exercise date | Share price at exercise date |
|---|------------------|---------------|------------------------------|
| Share options exercised during the year | 4 375 000        | 30 June 2018  | 1,25                         |
| Granted on 22 June 2015                 |                  |               |                              |

All the options have been valued using the widely accepted Black-Scholes-Merton model. This model is used to value options traded openly in the market.

This methodology takes into account the following factors:

- The exercise price of the option;
- The dates at which the option can be exercised;
- The price of the Workforce share at grant date;
- The expected volatility of the share price;
- The dividends expected on the shares; and
- The risk free interest rate for the term until the option is exercised.

Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercised restrictions (including the probability of meeting market conditions attached to the option) and behavioural considerations. Expected volatility is based on the historical share price volatility over the past three years.

|                          | 2017      | 2016      |
|--------------------------|-----------|-----------|
| <b>Inputs into model</b> |           |           |
| Grant date share price   | 150 cents | 190 cents |
| Exercise price           | 151 cents | 155 cents |
| Expected volatility      | 59,57%    | 54,58%    |
| Share appreciation life  | 36 months | 36 months |
| Dividend yield           | 0%        | 0%        |
| Risk free interest rate  | 8,44%     | 8,06%     |

|  | 2018             | 2017             |
|--|------------------|------------------|
| <b>25. Equity-settled employee benefits</b> (continued)    |                  |                  |
| 25.2 Movement in share options during the year (continued) |                  |                  |
| Charge to profit and loss (note 17)                        |                  |                  |
| 2017 option  | 2 026 866        | 507 337          |
| 2016 option  | 336 796          | 4 471 331        |
| 2015 option  | 131 271          | 247 929          |
|  | <b>2 494 933</b> | <b>5 226 597</b> |

### 25.3 Movement in share options during the year

The share options outstanding at the end of the year had a weighted average exercise price of R1,51 (2017: R1,33), and a weighted average remaining contractual life of two years (2017: 10 months)

## 26. Contingent liabilities

### Third-party claims

Various legal claims were brought against the group during the year. Unless recognised as a liability, the directors consider these claims to be unjustified and the probability that they will require settlement at the group's expense to be remote, since the claims are not in accordance with either the contracts with the customers or normal business practices in the industry. This evaluation is consistent with external independent legal advice.

Potential claims by third parties amount to R1 389 981 (2017: R2 149 747).

## 27. Business combinations

### 27.1.1 Business acquired

| 2018  | Principle activity  | Date of acquisition | Portion of business acquired % | Consideration transferred R'000 |
|---|---|---------------------|--------------------------------|---------------------------------|
| <b>Dyna Training and Industrial Development Proprietary Limited</b> | This entity designs, conceptualises, formulates and produces training programmes and related materials and owns all the intellectual property that it licensed to the training providers within the Dyna group and Dyna franchises. | 1 June 2018         | 100                            | 30 532                          |
| <b>Dyna Training Proprietary Limited</b>                            | This entity is a franchise involved in marketing and selling the Dyna training programmes in the Western Cape territory.  | 1 June 2018         | 100                            | 9 713                           |
| <b>Dyna Training Namibia Proprietary Limited</b>                    | This entity is a franchise involved in marketing and selling the Dyna training programmes in Namibia and the remaining SADC territory, excluding South Africa.  | 1 June 2018         | 100                            | 22 822                          |
| <b>NQ Plus Networks Proprietary Limited</b>                         | 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                            | 16 291                          |
|   |   |                     |                                | <b>79 358</b>                   |

# Notes to the group financial statements (continued)

for the year ended 31 December 2018

## 27. Business combinations (continued)

### 27.1.1 Business acquired (continued)

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.

|   | Dyna<br>Industrial<br>Training and<br>Development<br>R'000 | Dyna<br>Training<br>R'000 | Dyna<br>Training<br>Namibia<br>R'000 | NQ Plus<br>Networks<br>R'000 | Total<br>R'000 |
|---|--|---------------------------|--------------------------------------|------------------------------|----------------|
| <b>27.1.2 Consideration transferred</b> |  |                           |                                      |                              |                |
| Cash                                    | 13 129   | 4 177                     | 9 815                                | 7 006                        | 34 127         |
| Contingent consideration                | 17 401   | 5 536                     | 13 008                               | 9 286                        | 45 231         |
| <b>Total</b>                            | <b>30 530</b>  | <b>9 713</b>              | <b>22 823</b>                        | <b>16 292</b>                | <b>79 358</b>  |
| <b>27.1.3 Contingent consideration</b>  |  |                           |                                      |                              |                |
| Second payment                          | 1 947  | 620                       | 1 456                                | 1 039                        | 5 062          |
| Third payment                           | 3 486  | 1 109                     | 2 606                                | 1 860                        | 9 061          |
| Fourth payment                          | 5 269  | 1 676                     | 3 938                                | 2 812                        | 13 695         |
| Top-up payment                          | 6 699  | 2 131                     | 5 008                                | 3 575                        | 17 413         |
| <b>Total additional amount</b>          | <b>17 401</b>  | <b>5 536</b>              | <b>13 008</b>                        | <b>9 286</b>                 | <b>45 231</b>  |
| Interest raised on future payments      | 1 239  | 1 237                     | 1 239                                | 1 239                        | 4 954          |
|   | <b>18 640</b>  | <b>6 773</b>              | <b>14 247</b>                        | <b>10 525</b>                | <b>50 185</b>  |

Under the contingent consideration arrangement for the Dyna group of companies, Workforce is obliged to pay an amount of up to R5 060 886 subject to the Dyna group of 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 of 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 of companies achieving an agreed upon operating profit for the three-year period exceeding R42 016 084, an additional payment of up to R17 413 968 may also be payable. These payments are all calculated using agreed upon formulae. The directors believe that these payments are probable.

|   | Dyna<br>Industrial<br>Training and<br>Development<br>R'000 | Dyna<br>Training<br>R'000 | Dyna<br>Training<br>Namibia<br>R'000 | NQ Plus<br>Networks<br>R'000 | Total<br>R'000 |
|---|--|---------------------------|--------------------------------------|------------------------------|----------------|
| <b>27.1.4 Assets acquired and liabilities recognised at the date of acquisition</b> |  |                           |                                      |                              |                |
| <b>Non-current assets</b>   | <b>20 815</b>  | <b>8 266</b>              | <b>2 618</b>                         | <b>126</b>                   | <b>31 825</b>  |
| Property, plant and equipment   | 33   | 74                        | 9                                    | 33                           | 493            |
| Intangible assets   | 20 622   | 8 063                     | 2 609                                | –                            | 10 675         |
| Deferred tax asset  | 160  | 129                       | –                                    | 93                           | 20 501         |

|   | Dyna<br>Industrial<br>Training and<br>Development<br>R'000 | Dyna<br>Training<br>R'000 | Dyna<br>Training<br>Namibia<br>R'000 | NQ Plus<br>Networks<br>R'000 | Total<br>R'000 |
|---|--|---------------------------|--------------------------------------|------------------------------|----------------|
| <b>27. Business combinations</b><br>(continued)   |  |                           |                                      |                              |                |
| 27.1.4 <i>Assets acquired and liabilities recognised at the date of acquisition (continued)</i> |  |                           |                                      |                              |                |
| <b>Current assets</b>   | 2 418  | 968                       | 1 654                                | 1 947                        | 6 987          |
| Trade and other receivables   | 649  | 263                       | 142                                  | 271                          | 1 325          |
| Loans and other receivables   | –  | –                         | –                                    | 1                            | 1              |
| Loan to shareholder   | –  | –                         | –                                    | 2                            | 2              |
| Taxation  | –  | –                         | 420                                  | –                            | 420            |
| Cash and cash equivalents   | 1 769  | 705                       | 1 092                                | 1 673                        | 5 239          |
| <b>Non-current liabilities</b>  | (6 845)  | (2 665)                   | (2 372)                              | (1 051)                      | (12 933)       |
| Shareholders' loans   | (1 071)  | (386)                     | (1 641)                              | (1 051)                      | (4 149)        |
| Operating lease liabilities   | –  | (21)                      | –                                    | –                            | (21)           |
| Deferred tax liability  | (5 774)  | (2 258)                   | (731)                                | –                            | (8 763)        |
| <b>Current liabilities</b>  | (1 466)  | (763)                     | (21)                                 | (1 021)                      | (3 271)        |
| Trade and other payables  | (606)  | (598)                     | (21)                                 | (665)                        | (1 890)        |
| Taxation  | (860)  | (165)                     | –                                    | (289)                        | (1 314)        |
| Provisions  | –  | –                         | –                                    | (67)                         | (67)           |
| <b>Total</b>  | 14 922   | 5 806                     | 1 879                                | 1                            | 22 608         |

The receivables acquired (principally trade receivables) in this transaction with a fair value of R1 325 000 for Dyna group is equivalent to the gross contractual amount. All contractual cash flows are expected to be collected.

|   | Dyna<br>Industrial<br>Training and<br>Development<br>R'000 | Dyna<br>Training<br>R'000 | Dyna<br>Training<br>Namibia<br>R'000 | NQ Plus<br>Networks<br>R'000 | Total<br>R'000 |
|---|--|---------------------------|--------------------------------------|------------------------------|----------------|
| <b>27. Business combinations</b><br>(continued)               |  |                           |                                      |                              |                |
| 27.1.5 <i>Net cash outflow on acquisition of subsidiaries</i> |  |                           |                                      |                              |                |
| Consideration paid in cash                                    | 13 129   | 4 177                     | 9 815                                | 7 006                        | 34 127         |
| Less: Cash and cash equivalent balances acquired              | (1 769)  | (705)                     | (1 092)                              | (1 673)                      | (5 239)        |
| <b>Total</b>  | 11 360   | 3 472                     | 8 723                                | 5 333                        | 28 888         |

# Notes to the group financial statements (continued)

for the year ended 31 December 2018

|   | Dyna<br>Industrial<br>Training and<br>Development<br>R'000 | Dyna<br>Training<br>R'000 | Dyna<br>Training<br>Namibia<br>R'000 | NQ Plus<br>Networks<br>R'000 | Total<br>R'000 |
|---|--|---------------------------|--------------------------------------|------------------------------|----------------|
| <b>27. Business combinations</b><br>(continued)         |  |                           |                                      |                              |                |
| 27.1.6 <i>Goodwill arising on acquisition</i>           |  |                           |                                      |                              |                |
| Consideration transferred                               | 30 530   | 9 713                     | 22 823                               | 16 292                       | 79 358         |
| Less: Fair value of identifiable<br>net assets acquired | (14 922)   | (5 806)                   | (1 879)                              | (1)                          | (22 608)       |
| Goodwill arising on acquisition                         | 15 608   | 3 907                     | 20 944                               | 16 291                       | 56 750         |

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 R16 441 628 and profit before tax of R8 474 556 for the period under review. Had these business combinations been effective at 1 January 2018, the revenue of the group from operations would have been R24 583 563 and profit before tax would have been R8 912 486.

## 28. Disposal of subsidiary

On 22 August 2018, the group disposed of its interest in Qunu Staffing Proprietary Limited. The net assets of Qunu Staffing Proprietary Limited at the date of disposal were as follows:

|                               | R'000   |
|-------------------------------|---------|
| Property, plant and equipment | 82      |
| Trade receivables             | 3 333   |
| Cash and bank balances        | 48      |
| Deferred tax asset            | 802     |
| Trade payables                | (7 092) |
| Gain on disposal              | 2 827   |
| Total consideration           | —       |

There were no disposals of subsidiaries made in 2017. The impact of Qunu Staffing Proprietary Limited on the group's results in the current year is a loss of R854 361.

## 29. Reclassification of prior year presentation

Certain reclassification has 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 has subsequently been disclosed separately in the group statement of comprehensive income and the group statement of cash flows resulting in certain line items being reclassified.

|  | Previously<br>reported<br>31 December<br>2017<br>R'000 | Restated<br>31 December<br>2017<br>R'000 | Adjustment<br>R'000 |
|--|--|--|---------------------|
| <b>29. Reclassification of prior year presentation (continued)</b>           |  |  |                     |
| <b>Group statement of comprehensive income</b>                               |  |  |                     |
| Fair value adjustments   | 10 365   | –  | 10 365              |
| Earnings before interest, taxation, depreciation and amortisation ("EBITDA") | 133 939  | 123 574                                  | 10 365              |
| Fair value adjustments   | –  | 10 365                                   | (10 365)            |
| Depreciation and amortisation of non-financial assets                        | (26 080)   | (26 080)                                 | –                   |
| Finance income   | 1 486  | 1 486                                    | –                   |
| Finance costs  | (23 360)   | (23 360)                                 | –                   |
| <b>Profit before taxation</b>  | <b>85 985</b>  | <b>85 985</b>                            | <b>–</b>            |
| <b>Group statement of cash flows</b>   |  |  |                     |
| Cash flows from operating activities   | 15 918   | 11 405                                   | 4 513               |
| Cash flows from investing activities   | (60 710)   | (57 611)                                 | (3 099)             |
| Cash flows from financing activities   | (4 789)  | (3 375)                                  | (1 414)             |
| Net change in cash and cash equivalents                                      | (49 581)   | (49 581)                                 | –                   |
| <b>Cash and cash equivalents at the end of the year</b>                      | <b>25 548</b>  | <b>25 548</b>                            | <b>–</b>            |

### 30. Events after reporting date

A dividend of R3 399 689 was declared before the financial statements were authorised for issue but not recognised as a distribution to owners during the period under review.

The dividend declared equates to 1,5 cents per share.

# SHAREHOLDER INFORMATION

## Corporate information

### Company secretary

Sirkien van Schalkwyk

### Registered office

11 Wellington Road  
Parktown  
2193

PO Box 11137  
Johannesburg  
2000

### Business address

11 Wellington Road  
Parktown  
2193

PO Box 11137  
Johannesburg  
2000

### Designated advisor

Merchantec Proprietary Limited  
trading as Merchantec Capital

### Transfer secretaries

Link Market Services South Africa  
Proprietary Limited

### Commercial bankers

ABSA Business Bank

### Company registration number

2006/018145/06

### Website address

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

## Shareholders' diary

|  |                  |
|--|------------------|
| Financial year-end   | 31 December 2019 |
| Abridged results released on SENS  | 27 March 2019    |
| Summarised results and notice of annual general meeting posted to shareholders | 29 March 2019    |
| Integrated report available to shareholders on our website                     | 29 March 2019    |
| Annual general meeting   | 6 May 2019       |
| Half-year interim report   | Mid-August 2019  |

# Analysis of shareholders

as at 31 December 2018

|  | Number of<br>Holders | % of total<br>shareholders | Number of<br>shares | % of total<br>issued<br>share capital |
|--|----------------------|----------------------------|---------------------|---------------------------------------|
| <b>Analysis of shareholdings</b>                                   |                      |                            |                     |                                       |
| 1 – 1 000  | 161                  | 48,20                      | 53 671              | 0,02                                  |
| 1 001 – 10 000   | 84                   | 25,15                      | 381 482             | 0,16                                  |
| 10 001 – 100 000   | 55                   | 16,47                      | 2 424 724           | 0,99                                  |
| 100 001 – 1 000 000  | 25                   | 7,49                       | 7 937 466           | 3,26                                  |
| 1 000 001 and more   | 9                    | 2,69                       | 232 934 000         | 95,57                                 |
| <b>Totals</b>  | <b>334</b>           | <b>100,00</b>              | <b>243 731 343</b>  | <b>100,00</b>                         |
| <b>Major shareholders<br/>(5% and more of the shares in issue)</b> |                      |                            |                     |                                       |
| Force Holdings Proprietary Limited                                 |                      |                            | 97 612 399          | 40,05                                 |
| Little Kittens Proprietary Limited                                 |                      |                            | 65 860 000          | 27,02                                 |
| Vebicept Proprietary Limited                                       |                      |                            | 42 900 000          | 17,60                                 |
| Pha Phama Africa Investments Proprietary Limited                   |                      |                            | 14 370 000          | 5,90                                  |
| <b>Shareholder spread</b>  |                      |                            |                     |                                       |
| <b>Non-public:</b>   | 6                    | 1,80                       | 92 570 652          | 37,98                                 |
| Directors  | 3                    | 0,90                       | 67 317 156          | 27,62                                 |
| 10% or more of issued capital                                      | 2                    | 0,60                       | 8 168 117           | 3,35                                  |
| Treasury shares  | 1                    | 0,30                       | 17 085 379          | 7,01                                  |
| <b>Public</b>  | 328                  | 98,20                      | 151 160 691         | 62,06                                 |
| <b>Totals</b>  | <b>334</b>           | <b>100</b>                 | <b>243 731 343</b>  | <b>100,00</b>                         |
| <b>Distribution of shareholders</b>                                |                      |                            |                     |                                       |
| Individuals  | 289                  | 88,38                      | 8 257 414           | 3,39                                  |
| Pension funds  | 5                    | 1,53                       | 654 279             | 0,27                                  |
| Other managed funds  | 11                   | 3,36                       | 957 412             | 0,39                                  |
| Other companies and corporate bodies                               | 22                   | 6,73                       | 233 862 238         | 95,95                                 |
| <b>Totals</b>  | <b>327</b>           | <b>100</b>                 | <b>243 731 343</b>  | <b>100,00</b>                         |

# Notice of annual general meeting

## Workforce Holdings Limited

(Incorporated in the Republic of South Africa)

(Registration number: 2006/018145/06)

Share code: WKF ISIN: ZAE000087847

("Workforce" or "the company" or "the group")

If you are in any doubt as to what action you should take in respect of the following resolutions, please consult your Central Securities Depository Participant ("CSDP"), broker, banker, attorney, accountant, or other professional adviser immediately.

Notice is hereby given that the annual general meeting of the company's shareholders will be held at 11 Wellington Road, Parktown on Monday, 6 May 2019 at 10:00 ("annual general meeting").

## Purpose

The purpose of the meeting is to transact the business set out in this notice of annual general meeting ("annual general meeting notice") by considering and, if deemed fit, passing, with or without modification, the ordinary and special resolutions hereunder.

## Record date, attendance and voting

|  | 2019              |
|--|-------------------|
| Record date in order to be eligible to receive the annual general meeting notice                       | Friday, 22 March  |
| Annual general meeting notice posted to shareholders   | Friday, 29 March  |
| Last date to trade in order to be eligible to vote at the annual general meeting                       | Tuesday, 23 April |
| Record date in order to be eligible to vote at the annual general meeting                              | Friday, 26 April  |
| Last day to lodge forms of proxy for the annual general meeting (by 10:00) for administration purposes | Thursday, 2 May   |
| Annual general meeting (at 10:00)  | Monday, 6 May     |
| Results of the annual general meeting released on SENS   | Monday, 6 May     |

- Shareholders entitled to attend and vote at the annual general meeting may appoint one or more proxies to attend, speak and vote thereat in their stead. A proxy need not be a member of the company. A form of proxy, in which is set out the relevant instructions for its completion, is enclosed for the use of a certificated shareholder or own-name registered dematerialised shareholder who wishes to be represented at the annual general meeting. Completion of a form of proxy will not preclude such shareholder from attending and voting (in preference to that shareholder's proxy) at the annual general meeting.
- The instrument appointing a proxy and the authority (if any) under which it is signed must reach the company's transfer secretaries at the address given below by not later than 10:00 on Thursday, 2 May 2019.
- Dematerialised shareholders, other than own-name registered dematerialised shareholders, who wish to attend the annual general meeting in person will need to request their CSDP or broker to provide them with the necessary letter of representation in terms of the custody agreement entered into between such shareholders and the CSDP or broker.
- Dematerialised shareholders, other than own-name registered dematerialised shareholders, who are unable to attend the annual general meeting and who wish to be represented thereat, must provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between them and the CSDP or broker in the manner and time stipulated therein.
- Shareholders present in person, by proxy or by authorised representative shall, on a show of hands, have one vote each and, on a poll, will have one vote in respect of each share held.
- In terms of the Companies Act 2008 (Act 71 of 2008), as amended ("the Companies Act"), any shareholder or proxy who intends to attend or participate at the annual general meeting must be able to present reasonably satisfactory identification at the meeting for such shareholder or proxy to attend and participate at the annual general meeting. A green bar-coded identification document or identity card issued by the South African Department of Home Affairs, a driver's licence or a valid passport will be accepted at the annual general meeting as sufficient forms of identification.

## Agenda

Presentation and consideration of the annual financial statements of the company, including the reports of the auditors and directors and the audit and risk committee for the year ended 31 December 2018 as set out in the company's integrated annual report 2018, of which this annual general meeting notice forms part; and

To consider and, if deemed fit, approve, with or without modification, the following special and ordinary resolutions:

*Note:*

*For any of the ordinary resolutions numbers 1 to 11, excluding ordinary resolution number 10, to be adopted, more than 50% of the voting rights exercised on each such ordinary resolution must be exercised in favour thereof.*

*For any of the special resolutions numbers 1 to 3 to be adopted, more than 75% of the voting rights exercised on each such special resolution must be exercised in favour thereof.*

*For ordinary resolution number 10 to be adopted, more than 75% of the voting rights exercised on such ordinary resolution must be exercised in favour thereof.*

## Ordinary business

### 1. Ordinary resolution number 1: Confirmation of the appointment of Inshaaf Ross

"Resolved that Inshaaf Ross, who was appointed as a non-executive director of the company effective 13 August 2018, be and is hereby elected as a director."

An abbreviated *curriculum vitae* in respect of Inshaaf Ross may be viewed on page 51 of the integrated annual report of which this annual general meeting notice forms part.

#### Reason for ordinary resolution number 1

The reason for ordinary resolution number 1 is that article 7.1.9 of the memorandum of incorporation of the company and, to the extent applicable, the Companies Act, requires that director appointments must be approved by shareholders at the next annual general meeting.

### 2. Ordinary resolution number 2: Re-election of John Macey

"Resolved that John Macey, who retires by rotation in terms of the memorandum of incorporation of the company and, being eligible and offering himself for re-election, be and is hereby re-elected as director and chairman."

An abbreviated *curriculum vitae* in respect of John Macey may be viewed on page 50 of the integrated annual report of which this annual general meeting notice forms part.

The remuneration and nominations committee has considered John Macey's past performance, contribution to the company and his independence and, in accordance with article 38.3 of the memorandum of incorporation of the company, recommends that John Macey be re-elected as a director of the company.

### 3. Ordinary resolution number 3: Re-election of Shaun Naidoo

"Resolved that Shaun Naidoo, who retires by rotation in terms of the memorandum of incorporation of the company and, being eligible and offering himself for re-election, be and is hereby re-elected as director."

An abbreviated *curriculum vitae* in respect of Shaun Naidoo may be viewed on page 51 of the integrated annual report of which this annual general meeting notice forms part.

The remuneration and nominations committee has considered Shaun Naidoo's past performance and contribution to the company and, in accordance with article 38.3 of the memorandum of incorporation of the company, recommends that Shaun Naidoo be re-elected as a director of the company.

#### Reason for ordinary resolution numbers 2 and 3

The reason for ordinary resolution numbers 2 and 3 is that article 36 of the memorandum of incorporation of the company and, to the extent applicable, the Companies Act, requires that one-third of the non-executive directors rotate at the annual general meeting and, being eligible, may offer themselves for re-election as directors.

# Notice of annual general meeting (continued)

## 4. Ordinary resolution number 4: Confirmation of the reappointment of the auditors

“Resolved that the reappointment of Crowe JHB (previously Horwath Leveton Boner) as independent auditors of the company for the ensuing year (the designated auditor being Gary Kartsounis) on the recommendation of the company’s audit and risk committee, be ratified.”

### Reason for ordinary resolution number 4

The reason for ordinary resolution number 4 is that the company, being a public listed company, must have its annual financial statements audited and such auditor must be appointed or reappointed each year at the annual general meeting of the company as required by the Companies Act.

## 5. Ordinary resolution number 5: Appointment of Kyansambo Vundla as member and chairman of the audit and risk committee

“Resolved that Kyansambo Vundla be elected a member and chairman of the audit and risk committee, with effect from the conclusion of this annual general meeting in terms of section 94(2) of the Companies Act.”

An abbreviated *curriculum vitae* in respect of Kyansambo Vundla may be viewed on page 51 of the integrated annual report of which this annual general meeting notice forms part.

## 6. Ordinary resolution number 6: Appointment of John Macey as a member of the audit and risk committee

“Resolved that, subject to the passing of ordinary resolution number 2, John Macey be elected a member of the audit and risk committee, with effect from the conclusion of this annual general meeting in terms of section 94(2) of the Companies Act.”

An abbreviated *curriculum vitae* in respect of John Macey may be viewed on page 50 of the integrated annual report of which this annual general meeting notice forms part.

## 7. Ordinary resolution number 7: Appointment of Shelley Thomas as a member of the audit and risk committee

“Resolved that Shelley Thomas be elected a member of the audit and risk committee, with effect from the conclusion of this annual general meeting in terms of section 94(2) of the Companies Act.”

An abbreviated *curriculum vitae* in respect of Shelley Thomas may be viewed on page 51 of the integrated annual report of which this annual general meeting notice forms part.

### Reason for ordinary resolution number 5 to 7

The reason for ordinary resolution numbers 5 to 7 (inclusive) is that the company, being a public listed company, must appoint an audit committee as prescribed by sections 66(2) and 94(2) of the Companies Act, which also requires that the members of such audit committee be appointed, or reappointed, as the case may be, at each annual general meeting of a company.

## 8. Ordinary resolution number 8: Endorsement of remuneration policy and implementation report

### Ordinary resolution 8.1

“Resolved that the company’s remuneration policy, as set out in the remuneration report on pages 53 and 54 of the integrated annual report of which this notice forms part, be and is hereby approved by way of a non-binding advisory vote of shareholders of the company in terms of the King IV Report on Corporate Governance.”

### Ordinary resolution 8.2

“Resolved that the implementation report, as set out on page 55 of the integrated annual report of which this notice forms part, be and is hereby endorsed as a non-binding advisory vote of shareholders of the company in terms of the King IV Report on Corporate Governance.”

### Reason for ordinary resolution numbers 8.1 and 8.2

The reason for ordinary resolution numbers 8.1 and 8.2 is that King IV recommends that the remuneration policy of the company be endorsed through separate non-binding advisory votes by shareholders at the annual general meeting of a company. Failure to pass these resolutions will not have legal consequences relating to existing arrangements. However, the board of directors of the company (“the board”) will take the outcome of the vote into consideration when assessing the company’s remuneration policy and implementation report.

## 9. Ordinary resolution number 9: Placing unissued shares under directors' control

"Resolved that the unissued shares in the company, limited to 15% of the number of shares in issue at 29 March 2019, be and are hereby placed under the control of the directors until the next annual general meeting and that they be and are hereby authorised to issue any such shares as they may deem fit, subject to the Companies Act, the memorandum of incorporation of the company, and the provisions of the Listings Requirements of the JSE Limited ("JSE"), save that the aforementioned 15% limitation shall not apply to any shares issued in terms of a rights offer."

### Reason for ordinary resolution number 9

The reason for ordinary resolution number 9 is that the board requires authority from shareholders in terms of article 3 of its memorandum of incorporation to issue shares in the company. This general authority, once granted, allows the board from time to time, when it is appropriate to do so, to issue ordinary shares as may be required, *inter alia*, in terms of capital raising exercises, and to maintain a healthy capital adequacy ratio that may be required from time to time. This general authority is subject to the restriction that it is limited to 15% of the number of shares in issue at 29 March 2019.

## 10. Ordinary resolution number 10: General authority to issue shares for cash

"Resolved that the directors of the company be and are hereby authorised by way of a general authority, to allot and issue any of its unissued shares for cash placed under their control as they in their discretion may deem fit, without restriction, subject to the provisions of the Listings Requirements of the JSE, and subject to the provision that the aggregate number of ordinary shares able to be allotted and issued in terms of this resolution, shall be limited to 15% of the issued share capital at 29 March 2019 (net of treasury shares), provided that:

- The approval shall be valid until the date of the next annual general meeting of the company, provided it shall not extend beyond fifteen months from the date of this resolution ("issue period");
- an announcement giving full details, including the impact on net asset value and earnings per share, will be published after any issue representing, on a cumulative basis within any one financial year, 5% or more of the number of shares in issue prior to such issue;
- the general issues of shares for cash in aggregate in the issue period may not exceed 15% of the company's issued share capital (number of securities) of that class (net of treasury shares);
- in the event of a sub-division or consolidation of issued shares during the issue period, the existing authority shall be adjusted accordingly to represent the same allocation ratio;
- in determining the price at which an issue of shares will be made in terms of this authority, the maximum discount permitted will be 10% of the weighted average traded price of such shares, as determined over the 30 trading days prior to the date that the price of the issue is agreed between the company and the party subscribing for the securities. The JSE should be consulted for a ruling if the securities have not traded in such 30 business day period;
- any such issue will only be made to public shareholders as defined in paragraphs 4.25 to 4.27 of the Listings Requirements of the JSE and not to related parties; and
- any such issue will only be securities of a class already in issue or, if this is not the case, will be limited to such securities or rights that are convertible into a class already in issue."

### The reason for ordinary resolution number 10

For listed entities wishing to issue shares, it is necessary for the board not only to obtain the prior authority of the shareholders as may be required in terms of their memorandum of incorporation contemplated in ordinary resolution number 9 above but it is also necessary to obtain the prior authority of shareholders in accordance with the Listings Requirements of the JSE. The reason for this resolution is accordingly to obtain a general authority from shareholders to issue shares in compliance with the Listings Requirements of the JSE. The authority granted in terms of this ordinary resolution number 10 must accordingly be read together with authority granted in terms of ordinary resolution number 9 above and any exercise thereof will be subject to the conditions contained in this ordinary resolution number 10.

#### Note:

*In terms of the Listings Requirements of the JSE, this resolution requires the approval of not less than 75% of the votes cast by shareholders present or represented by proxy and entitled to vote at this annual general meeting.*

# Notice of annual general meeting (continued)

## 11. Ordinary resolution number 11: Authority to action

“Resolved that any one director of the company and/or the company secretary is hereby authorised to do all such things and sign all such documents as deemed necessary to implement the ordinary and special resolutions as set out in this notice convening the annual general meeting at which these resolutions will be considered.”

### The reason for ordinary resolution number 11

The reason for ordinary resolution number 11 is to ensure that the resolutions voted favourably upon are duly implemented through the delegation of powers provided for in terms of article 29 of the company’s memorandum of incorporation.

## Special business

### 12. Special resolution number 1: Remuneration of non-executive directors

“Resolved that the remuneration payable to the non-executive directors be approved on the following basis, effective 1 January 2019:

| Category                           | Recommended remuneration                                 |
|------------------------------------|--|
| Board chairman                     | R408 312 annual retainer<br>R15 135 per meeting attended |
| Board member                       | R47 790 annual retainer<br>R15 135 per meeting attended  |
| <i>Adhoc fee</i>                   | R2 120 per hour  |
| <b>Audit and risk committee</b>    |  |
| Chairman                           | R14 304 per meeting attended                             |
| Member                             | R12 720 per meeting attended                             |
| <b>Remuneration committee</b>      |  |
| Chairman                           | R14 304 per meeting attended                             |
| Member                             | R12 720 per meeting attended                             |
| <b>Social and ethics committee</b> |  |
| Chairman                           | R14 304 per meeting attended                             |
| Member                             | R12 720 per meeting attended                             |
| <b>Investment committee</b>        |  |
| Chairman                           | R14 304 per meeting attended                             |
| Member                             | R12 720 per meeting attended”                            |

### Reasons for and effect of special resolution number 1

The reason for the proposed special resolution is to comply with section 66(9) of the Companies Act, which requires the approval of directors’ fees prior to the payment of such fees.

The effect of special resolution number 1 is that the company will be able to pay its non-executive directors for the services they render to the company as directors without requiring further shareholder approval until the next annual general meeting.

### 13. Special resolution number 2: Financial assistance to related and inter-related companies

“Resolved that the board be and is hereby authorised in terms of section 45(3)(a)(ii) of the Companies Act, as a general approval (which approval will be in place for a period of two years from the date of adoption of this special resolution number 2), to authorise the group to provide any direct or indirect financial assistance (“financial assistance” will herein have the meaning attributed to such term in section 45(1) of the Companies Act) that the board may deem fit to any related or inter-related company of the group (“related” and “inter-related” will herein have the meanings attributed to those terms in section 2 of the Companies Act), on the terms and conditions and for the amounts that the board may determine.”

#### Reason for and effect of special resolution number 2

The reason for and the effect of special resolution number 2 is to provide a general authority to the board for the group to grant direct or indirect financial assistance to any company forming part of the group, including in the form of loans or the guaranteeing of their debts.

#### 14. Special resolution number 3: Authority to repurchase shares by the company

“Resolved that as a special resolution that the company and its subsidiaries be and is hereby authorised, as a general approval, to repurchase any of the shares issued by the company, upon such terms and conditions and in such amounts as the directors may from time to time determine, but subject to the provisions of section 46 and 48 of the Companies Act, the memorandum of incorporation of the company and the Listings Requirements of the JSE, namely that:

- The general repurchase of the shares may only be implemented on the open market of the JSE and done without any prior understanding or arrangement between the company and the counterparty;
- this general authority shall only be valid until the next annual general meeting of the company, provided that it shall not extend beyond fifteen months from the date of this resolution;
- an announcement must be published as soon as the company has acquired shares constituting, on a cumulative basis, 3% of the number of shares in issue prior to the acquisition, pursuant to which the aforesaid 3% threshold is reached, containing full details thereof, as well as for each 3% in aggregate of the initial number of shares acquired thereafter;
- the general authority to repurchase is limited to a maximum of 20% in the aggregate in any one financial year of the company's issued share capital at the time the authority is granted;
- a resolution has been passed by the board approving the purchase, that the company has satisfied the solvency and liquidity test as defined in the Companies Act and that since the solvency and liquidity test was applied there have been no material changes to the financial position or required shareholder spread of the group;
- the general repurchase is authorised by the company's memorandum of incorporation;
- repurchases must not be made at a price more than 10% above the weighted average of the market value of the shares for five business days immediately preceding the date that the transaction is affected. The JSE should be consulted for a ruling if the applicant's securities have not traded in such five business day period;
- the company may at any point in time only appoint one agent to effect any repurchase(s) on the company's behalf;
- the company and its subsidiaries may not effect a repurchase during any prohibited period as defined in terms of the Listings Requirements of the JSE unless there is a repurchase programme in place as contemplated in terms of section 5.72(h) of the Listings Requirements of the JSE; and
- the company must ensure that its designated advisor provides the JSE with the required working capital letters before it commences the repurchase of any shares.”

#### Reason and effect of special resolution number 3

The reason for and effect of special resolution number 3 is to grant the directors a general authority in terms of its memorandum of incorporation and the Listings Requirements of the JSE for the acquisition by the company and/or its subsidiaries of shares issued by it on the basis reflected in the special resolution.

In terms of the Listings Requirements of the JSE any general repurchase by the company and/or its subsidiaries must, *inter alia*, be limited to a maximum of 20% of the company's issued share capital in any one financial year of that class at the time the authority is granted.

#### Other business

To transact such other business as may be transacted at an annual general meeting or raised by shareholders with or without advance notice to the company.

# Notice of annual general meeting (continued)

## Information relating to the special resolutions

### 1. General authority to purchase shares

The directors of the company or its subsidiaries will only utilise the general authority to purchase shares of the company and/or the subsidiary as set out in special resolution number 3 to the extent that the directors, after considering the maximum shares to be purchased, are of the opinion that the group position would not be compromised as to the following:

- The group's ability in the ordinary course of business to pay its debts for a period of 12 months after the date of this annual general meeting and for a period of 12 months after the purchase;
- the consolidated assets of the group will at the time of the annual general meeting and at the time of making such determination be in excess of the consolidated liabilities of the group. The assets and liabilities should be recognised and measured in accordance with the accounting policies used in the latest audited annual financial statements of the group;
- the ordinary capital and reserves of the group after the purchase will remain adequate for the purpose of the business of the group for a period of 12 months after the annual general meeting and after the date of the share purchase; and
- the working capital available to the group after the purchase will be sufficient for the group's requirements for a period of 12 months after the date of the notice of the annual general meeting and the directors have passed a resolution authorising the repurchase, resolving that the company has satisfied the solvency and liquidity test as defined in the Companies Act and resolving that since the solvency and liquidity test had been applied, there have been no material changes to the financial position of the group.

### 2. Other disclosures in terms of section 11.26 of the Listings Requirements of the JSE

For the purposes of considering special resolution number 3, and in compliance with paragraph 11.26 of the Listings Requirements, the information listed below has been included in the integrated annual report, in which this notice of annual general meeting is included, at the places indicated:

- Major shareholders (page 129); and
- Share capital of the company (page 101).

### 3. Direct or indirect financial assistance

For purposes of special resolution number 2, the board will only utilise the general authority bestowed upon them to provide direct or indirect financial assistance related to inter-related companies to the extent that the directors, after considering the amount of financial assistance to be granted, are of the opinion that:

- Immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test (as defined in the Companies Act, 2008, as amended);
- the terms under which the financial assistance is proposed to be given are fair and reasonable to the company; and
- all conditions or restrictions regarding the granting of financial assistance as set out in the company's memorandum of incorporation have been satisfied and that the board have passed a resolution authorising the grant of the said financial assistance ("the board resolution") under their general authority so granted, the company which will then provide written notice of the board resolution to all shareholders:
  - within 10 days after adoption of the board resolution, if the total value of all loans, debts, obligations or assistance contemplated in that resolution, together with any previous such resolution(s) during the financial year, exceeds one-tenth of 1% of the company's net worth at the time of the board resolution; or
  - within 30 business days after the end of the financial year, in any other case.

### 4. Litigation statement

The company is not involved in any legal or arbitration proceedings, nor are any proceedings pending or threatened of which the company is aware that may have or have had in the previous 12 months, a material effect on the company's financial position.

## 5. Responsibility statement

The directors, whose names are reflected in this integrated annual report of which this notice forms part, collectively and individually accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts that have been made and that the notice contains all information required by the Listings Requirements of the JSE.

## 6. Material changes

Other than the facts and developments reported on in the integrated annual report, there have been no material changes in the financial or trading position of the company and its subsidiaries since the date of signature of the audit report up to the date of this notice.

By order of the board



**Sirkien van Schalkwyk**

*Company secretary*

26 March 2019

## Notes

[illegible]

# Form of proxy

## Workforce Holdings Limited

(Incorporated in the Republic of South Africa)

(Registration number: 2006/018145/06)

Share code: WKF ISIN: ZAE000087847

("Workforce" or "the company" or "the group")

FORM OF PROXY – for use by certificated and "own-name" dematerialised shareholders only at the annual general meeting of shareholders to be held at 11 Wellington Road, Parktown on Monday, 6 May 2019 at 10:00 ("the annual general meeting") and any adjournment thereof.

Dematerialised ordinary shareholders holding ordinary shares other than with "own-name" registration who wish to attend the annual general meeting must inform their Central Securities Depository Participant ("CSDP") or broker of their intention to attend the annual general meeting and request their CSDP or broker to issue them with the relevant letter of representation to attend the annual general meeting in person or by proxy and vote. If they do not wish to attend the annual general meeting in person or by proxy, they must provide their CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker. These ordinary shareholders must not use this form of proxy.

I/We (please print name in full)

of (address)

being a shareholder/s of Workforce Holdings Limited, holding shares in the company hereby appoint:

1. or, failing him/her,
2. or, failing him/her,
3. or failing him/her,

4. the chairman of the annual general meeting, as my proxy to vote for me/us and on my/our behalf at the annual general meeting and at any adjournment thereof and to speak and act for me/us and, on a poll, vote on my/our behalf.

My/our proxy shall vote as follows:

|  | Number of shares |         |         |
|--|------------------|---------|---------|
|  | In favour of     | Against | Abstain |
| To consider the presentation of the annual financial statements for the year ended 31 December 2017          |                  |         |         |
| <b>Ordinary resolution number 1:</b> Confirmation of Inshaaf Ross's appointment                              |                  |         |         |
| <b>Ordinary resolution number 2:</b> To re-elect John Macey as director                                      |                  |         |         |
| <b>Ordinary resolution number 3:</b> To re-elect Shaun Naidoo as director                                    |                  |         |         |
| <b>Ordinary resolution number 4:</b> Confirmation of auditor's reappointment                                 |                  |         |         |
| <b>Ordinary resolution number 5:</b> Appointment of Kyansambo Vundla as chairman to audit and risk committee |                  |         |         |
| <b>Ordinary resolution number 6:</b> Appointment of John Macey to audit and risk committee                   |                  |         |         |
| <b>Ordinary resolution number 7:</b> Appointment of Shelley Thomas to audit and risk committee               |                  |         |         |
| <b>Ordinary resolution number 8:</b> 8.1 Endorsement of remuneration policy                                  |                  |         |         |
| <b>Ordinary resolution number 8:</b> 8.2 Endorsement of the implementation report                            |                  |         |         |
| <b>Ordinary resolution number 9:</b> Placing of unissued shares under the directors' control                 |                  |         |         |
| <b>Ordinary resolution number 10:</b> General authority to issue shares for cash                             |                  |         |         |
| <b>Ordinary resolution number 11:</b> Authority to action  |                  |         |         |
| <b>Special resolution number 1:</b> Remuneration of non-executive directors                                  |                  |         |         |
| <b>Special resolution number 2:</b> Financial assistance to related and inter-related companies              |                  |         |         |
| <b>Special resolution number 3:</b> General authority to the company to repurchase shares                    |                  |         |         |

(indicate instruction to proxy by way of a cross in the space provided above)

Unless otherwise instructed, my/our proxy may vote as he/she thinks fit.

Signed this day of 2019

Signature

# Notes to proxy

1. The form of proxy must only be completed by shareholders who hold ordinary shares in certificated form or who are recorded on the sub-register in electronic form in "own name".
2. All other beneficial owners who have dematerialised their shares through a CSDP or broker and wish to attend the annual general meeting must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.
3. A shareholder entitled to attend and vote at the annual general meeting may insert the name of a proxy or the names of two alternate proxies (none of whom need be a shareholder of Workforce) of the shareholder's choice in the space provided, with or without deleting "the chairman of the meeting". The person whose name stands first on this form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those proxy(ies) whose names follow. Should this space be left blank, the proxy will be exercised by the chairman of the annual general meeting.
4. A shareholder is entitled to one vote on a show of hands and, on a poll, one vote in respect of each ordinary share held. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate space provided. If an "X" has been inserted in one of the blocks to a particular resolution, it will indicate the voting of all the shares held by the shareholder concerned. Failure to comply with this will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of all the shareholder's votes exercisable thereat. A shareholder or the proxy is not obliged to use all the votes exercisable by the shareholders or by the proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or the proxy.
5. A vote given in terms of an instrument of proxy shall be valid in relation to the annual general meeting notwithstanding the death, insanity or other legal disability of the person granting it, or the revocation of the proxy, or the transfer of the ordinary shares in respect of which the proxy is given, unless notice as to any of the aforementioned matters shall have been received by the transfer secretaries not less than 48 hours before the commencement of the annual general meeting.
6. If a shareholder does not indicate on this form that his/her proxy is to vote in favour of or against any resolution or to abstain from voting, or gives contradictory instructions, or should any further resolution(s) or any amendment(s) which may properly be put before the annual general meeting be proposed, such proxy shall be entitled to vote as he/she thinks fit.
7. The chairman of the annual general meeting may reject or accept any form of proxy which is completed and/or received other than in compliance with these notes.
8. A shareholder's authorisation to the proxy including the chairman of the annual general meeting, to vote on such shareholder's behalf, shall be deemed to include the authority to vote on procedural matters at the annual general meeting.
9. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.
10. Documentary evidence establishing the authority of a person signing the form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by the company's transfer secretaries or waived by the chairman of the annual general meeting.
11. A minor or any other person under legal incapacity must be assisted by his/her parent or guardian, as applicable, unless the relevant documents establishing his/her capacity are produced or have been registered by the transfer secretaries of the company.
12. Where there are joint holders of ordinary shares:
  - Any one holder may sign the form of proxy; or
  - the vote(s) of the senior ordinary shareholders (for that purpose seniority will be determined by the order in which the names of ordinary shareholders appear in the company's register of ordinary shareholders) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder(s).
13. For administrative purposes only, forms of proxy should be lodged with or mailed to Link Market Services South Africa Proprietary Limited.
 

|  |   |
|--|---|
| <b>Hand deliveries to:</b><br>13th Floor, Rennie House<br>19 Ameshoff Street<br>Braamfontein<br>Johannesburg | <b>Postal deliveries to:</b><br>PO Box 4844<br>Johannesburg<br>2000 |
|--|---|
14. A deletion of any printed matter and the completion of any blank space need not be signed or initialled. Any alteration or correction must be signed and not merely initialled.
15. Summary of the rights of a shareholder to be represented by proxy, as set out in section 58 of the Companies Act:
  - A proxy appointment must be in writing, dated and signed by the shareholder appointing a proxy, and, subject to the rights of a shareholder to revoke such appointment (as set out below), remains valid only until the end of the relevant shareholders' meeting.
  - A proxy may delegate the proxy's authority to act on behalf of a shareholder to another person, subject to any restrictions set out in the instrument appointing the proxy.
  - The appointment of a proxy is suspended at any time and to the extent that the shareholder who appointed such proxy chooses to act directly and in person in the exercise of any rights as a shareholder.
  - The appointment of a proxy is revocable by the shareholder in question cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and to the company. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of (a) the date stated in the revocation instrument, if any; and (b) the date on which the revocation instrument is delivered to the company as required in the first sentence of this paragraph.
  - If the instrument appointing the proxy or proxies has been delivered to the company, as long as that appointment remains in effect, any notice that is required by the Companies Act or the company's memorandum of incorporation to be delivered by the company to the shareholder, must be delivered by the company to (a) the shareholder, or (b) the proxy or proxies, if the shareholder has (i) directed the company to do so in writing; and (ii) paid any reasonable fee charged by the company for doing so.

Attention is also drawn to the "Notes to proxy".

The completion of a form of proxy does not preclude any shareholder from attending the annual general meeting.

# Definitions and abbreviations

|                                 |   |
|---------------------------------|---|
| <b>Allmed</b>                   | Allmed Healthcare Professionals Proprietary Limited   |
| <b>AGM</b>                      | Annual General Meeting  |
| <b>B-BBEE</b>                   | Broad-Based Black Economic Empowerment  |
| <b>Board</b>                    | Board of directors of Workforce Holdings Limited  |
| <b>CAPES</b>                    | Confederation of Associations in the Private Employment Sector  |
| <b>Companies Act or the Act</b> | The South African Companies Act 2008 (Act 71 of 2008), as amended   |
| <b>CSI</b>                      | Corporate Social Investment   |
| <b>DSO</b>                      | Days sales outstanding  |
| <b>EAP</b>                      | Economically active population  |
| <b>EBITDA</b>                   | Earnings before interest, taxation, depreciation and amortisation   |
| <b>EEA</b>                      | Employment Equity Amendment Act 47 of 2013  |
| <b>EME</b>                      | Exempted micro enterprise   |
| <b>EPS</b>                      | Earnings per share  |
| <b>ETI</b>                      | Employment tax incentive  |
| <b>Group</b>                    | Workforce Holdings Limited and its subsidiaries   |
| <b>HEPS</b>                     | Headline earnings per share   |
| <b>IFRS</b>                     | International Financial Reporting Standards   |
| <b>ILO</b>                      | International Labour Organisation   |
| <b>IIRC</b>                     | International Integrated Reporting Committee  |
| <b>IPP</b>                      | Independent power producers   |
| <b>IS</b>                       | Information systems   |
| <b>IT</b>                       | Information technology  |
| <b>JSE</b>                      | JSE Limited (Registration number 2005/022939/06) a company duly registered and incorporated with limited liability, licensed as an exchange in terms of the Securities Services Act No 36 of 2004 |
| <b>LRA</b>                      | Labour Relations Amendment Act 6 of 2014  |
| <b>KBC</b>                      | KBC Holdings Proprietary Limited  |
| <b>King III</b>                 | King III Report on Corporate Governance for South Africa, 2009  |
| <b>King IV</b>                  | King IV Report on Corporate Governance for South Africa, 2016   |
| <b>KPIs</b>                     | Key performance indicators  |
| <b>MOI</b>                      | Memorandum of Incorporation   |
| <b>MQA</b>                      | Mining Qualifications Authority   |
| <b>NAV</b>                      | Net asset value   |
| <b>NQF</b>                      | National qualifications framework   |
| <b>OECD</b>                     | Organisation for Economic Cooperation and Development   |
| <b>PAIA</b>                     | Promotion of Access to Information Act, 2000 (Act 2 of 2000)  |
| <b>PE ratio</b>                 | Price Earnings ratio  |
| <b>POPI</b>                     | Protection of Personal Information Act (Act 4 of 2013)  |
| <b>QSE</b>                      | Qualifying small enterprise   |
| <b>ROI</b>                      | Return on investment  |
| <b>S12H</b>                     | Additional deduction for learnership agreements in terms of Section 12H of the Income Tax Act (Act 58 of 1962)  |
| <b>SAQA</b>                     | South African Qualifications Authority  |
| <b>SARS</b>                     | Share Appreciation Rights Scheme  |
| <b>SED</b>                      | Socio-economic development  |
| <b>SENS</b>                     | The Securities Exchange News Service of the JSE   |
| <b>SETA</b>                     | Sector Education and Training Authority   |
| <b>SLA</b>                      | Service level agreement   |
| <b>Telebest</b>                 | Telebest Holdings Proprietary Limited   |
| <b>TES</b>                      | Temporary Employment Services   |
| <b>The Workforce Group</b>      | The Workforce Group Proprietary Limited (Registration number 1999/006358/07) a company incorporated in terms of the company laws of South Africa, a wholly owned subsidiary of Workforce          |
| <b>Workforce or the company</b> | Workforce Holdings Limited (Registration number 2006/018145/06) a company incorporated in terms of the company laws of South Africa, and listed on the ALT <sup>x</sup> exchange of the JSE       |



# Manifesto

**We believe a job is not just a job; it is a life-changing opportunity for an individual.**

**A job is a path to a quality life for the individual and a valuable investment for the stakeholder.**

Our business has always been about people and how to change people's lives for the better. We've spent years learning about our industry and the people we work with; client, candidate and stakeholder. We've always been on a quest to uplift people, not just giving them an opportunity to work, but also ensuring that they have the tools to be productive through training, healthcare, employee benefits and lifestyle products. We've forged ahead in this quest and today not only do we give people an opportunity to work so that they can build a life for them and their loved ones, but we also uplift them through training and skills development and ensure that they are healthy and happy individuals.

**But this is a never-ending quest because there are always more lives to be changed, more value to gain from investing in people.**

We are here to stay, because while we strive to make an impact we want that impact to be sustainable. At our heart, we are many, all working towards a common goal, working together and supporting each other in every endeavour.

And we are here to uplift people and grow our business in the process.

**Uplifting people. Growing business.**

We want Workforce to stand for "upliftment and growth" – let it build over time. That is what the name Workforce Holdings becomes synonymous with.

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