



2018 ANNUAL INTEGRATED REPORT

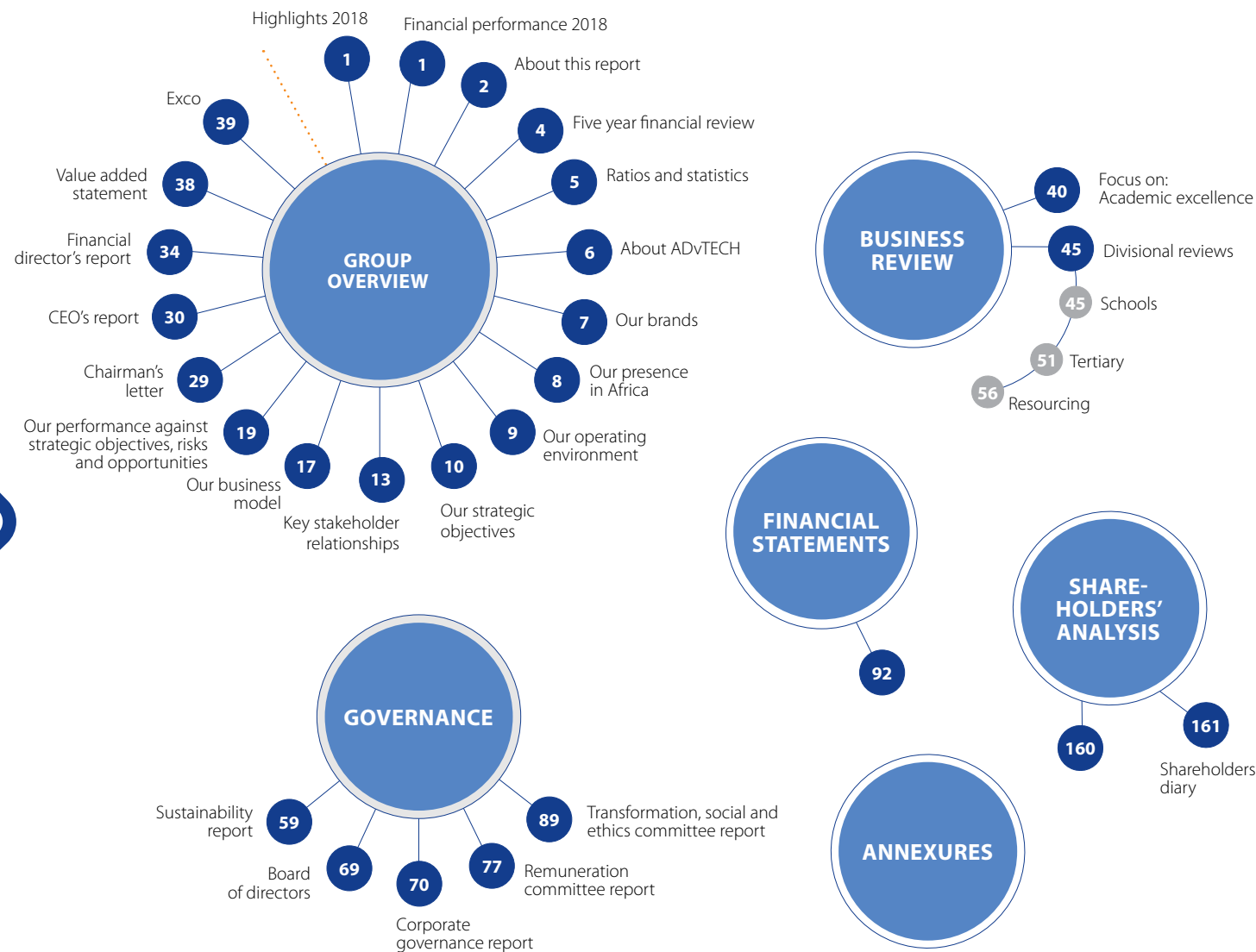
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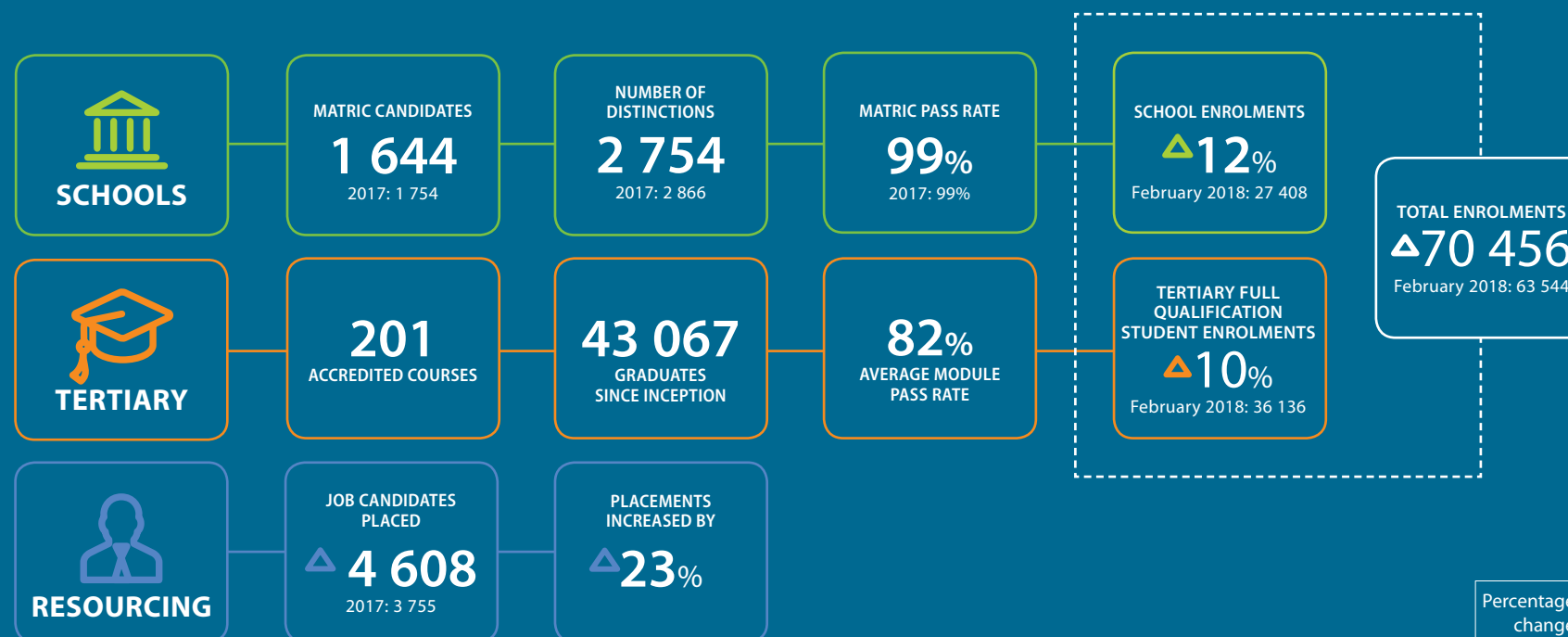
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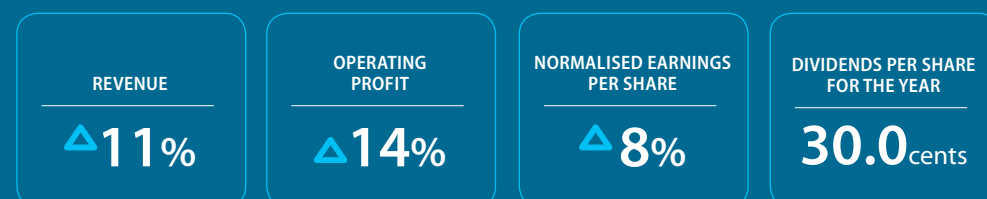
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HIGHLIGHTS₂₀₁₈



FINANCIAL_{performance 2018}



	Percentage change	2018	Restated 2017
Revenue (R'm)	11%	4 389.0	3 937.7
Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA) (R'm)	14%	942.1	823.3
Operating profit before interest and non-trading items(R'm)	14%	762.7	668.0
Profit before taxation (R'm)	10%	592.5	537.8
Shareholders' equity (R'm)	11%	3 171.9	2 866.1
Total assets (R'm)	13%	6 283.2	5 553.6
EBITDA margin (%)		21.5	20.9
Net asset value per share (cents)	10%	580.3	526.5
Free operating cash flow before capex per share (cents)	(4%)	105.1	109.8
Headline earnings per share (cents)	7%	73.6	68.8
Diluted headline earnings per share (cents)	7%	73.5	68.7
Normalised earnings per share (cents)	8%	81.1	75.3
Diluted normalised earnings per share (cents)	8%	81.1	75.2
Gross dividends (cents)	(12%)	30.0	34.0
Number of employees (at year-end)	12%	7 549	6 743



ABOUT *this report*

Our annual integrated report for the year ended 31 December 2018 is our primary report to stakeholders.

We provide concise material and reliable information on the group's strategy, performance, governance and prospects, explaining how we create value over time.

We seek to make our report accessible and understandable to a broad range of stakeholders while providing information relevant to shareholders when making investment decisions.



This report, the complete annual financial statements and all supplementary reports are available on our website www.advtech.co.za under the investor information tab.

REPORTING FRAMEWORKS

This annual integrated report has been prepared in accordance with the International <IR> Framework.

To guide and inform our decisions during the preparation of this report, we applied the principles and requirements contained within the South African Companies Act No 71 of 2008, Johannesburg Stock Exchange (JSE) Listings Requirements, King IV™ Report on Corporate Governance for South Africa 2016 (King IV) and International Financial Reporting Standards (IFRS).

The sustainability elements within this report have been prepared with reference to the Global Reporting Initiative (GRI) standards.

As part of our commitment to integrated sustainability management, we strive to achieve the relevant Sustainable Development Goals (SDGs) by strategically aligning our strategic objectives.



Read more about
sustainability

About this
report
continued

Varsity College Campus, Durban North

ABOUT *this report continued*

MATERIAL MATTERS

Material matters are those that could substantially impact our ability to execute our strategic priorities and create value over time. The board of directors has approved the material matters. The process of determination includes the consideration of the six ADvTECH capitals over time, information for stakeholders, matters discussed at board and Exco meetings, and information received from operational teams.

The following material matters have been identified and are discussed throughout the annual integrated report:

Academic excellence remains central to our value proposition and sets us apart from other academic institutions. It remains the fundamental reason why parents choose an ADvTECH school or tertiary institution for their child's education.

We invest significant resources into the research and development of academically sound methods and processes so that every student and job candidate has the best possible chance at success.

Regulatory changes and bureaucratic delays could impact our ability to obtain licensing and accreditation approval, thereby affecting our expansion strategy.

Challenging economic conditions could adversely affect enrolment rates, and thus the rate at which we are able to execute our growth strategy.

Prudent investment and expansion activities remains a major short- and long-term focus. Our growth strategy includes expansion through organic growth, acquisitions and greenfield projects.

An effective human resource strategy ensures business continuity and positive societal impact. With the correct development interventions, our staff complement will accurately represent the diverse communities we serve. Transformation and succession planning initiatives enable us to attract, develop and retain the best talent. We need to ensure that our staff complement is appropriately skilled and available to fill vacancies caused by attrition or expansion.

[Read more about our stakeholders](#)

The six ADvTECH capitals taken into consideration:

ACADEMIC EXCELLENCE, INTELLECTUAL CAPITAL AND GOVERNANCE

PEOPLE, CULTURE AND HUMAN CAPITAL

SOCIAL AND RELATIONSHIP CAPITAL

MANUFACTURED/ INFRASTRUCTURE CAPITAL

FINANCIAL CAPITAL

NATURAL CAPITAL

Our strategic objectives:

CUSTOMER FOCUS

GROWTH

ACADEMIC EXCELLENCE

INNOVATION

HUMAN & CAPITAL PRODUCTIVITY

[View our business model](#)

[Learn more about our strategy](#)

ASSURANCE

The board ensures that a combined assurance model is designed and implemented to cover the organisation's significant risks and material matters adequately through a combination of a number of assurance services and functions. We apply a combined assurance process consisting of three lines of defence, namely management (board, Exco and operational management); external assurance providers; and internal assurance providers (internal auditors, risk and compliance functions and other board committees).

The sustainability issues in this annual integrated report have not been externally assured and we are planning to develop our suite and improve our reporting in the future.

BOARD APPROVAL

The board acknowledges its responsibility for overseeing the integrity and completeness of this integrated report, and has applied its collective mind to the contents of this report, being satisfied that it accurately represents the group's performance for the year under review. As a collective, the board believes that we have appropriately and diligently considered these aspects, while reflecting the group's performance and strategy accurately.

This report, together with the group's annual financial statements, was approved by the board of directors for the year ended 31 December 2018 on 30 April 2019 and signed on its behalf by:

Roy Douglas
Chief executive officer

Chris Boule
Chairman

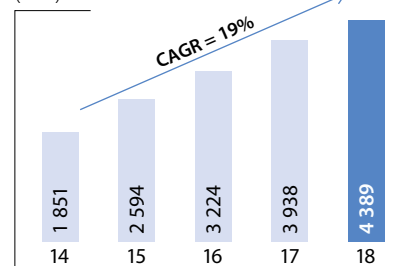
[Read more about our board](#)

FIVE YEAR *financial review*

for the year ended 31 December 2018

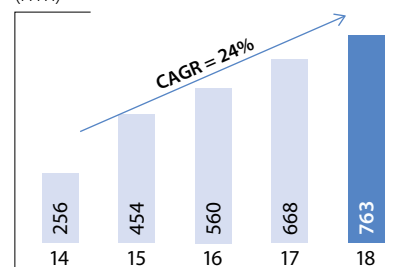
Revenue

(R'm)



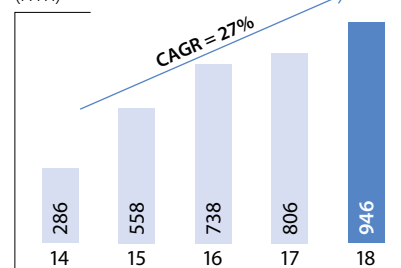
Operating profit

(R'm)



Cash generated by operating activities

(R'm)



Summarised statements of comprehensive income

Revenue (net of bursaries and discount allowed)
Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA)
Depreciation and amortisation

Operating profit before interest and non-trading items
Non-trading (expenses)/income
Net finance costs

Profit before taxation
Taxation

Total comprehensive income for the year

Attributable to minority interest

Profit attributable to equity holders of the parent

Headline earnings

Normalised earnings

Summarised statements of financial position

Shareholders' equity
Interest bearing debt
Other non-current liabilities
Deferred taxation liability
Other current liabilities

Non-current assets
Bank balances and cash
Other current assets

Summarised cash flows

Cash generated by operating activities
Net cash inflow from operating activities
Net cash outflow from investing activities
Net cash inflow from financing activities

Net increase/(decrease) in cash and cash equivalents

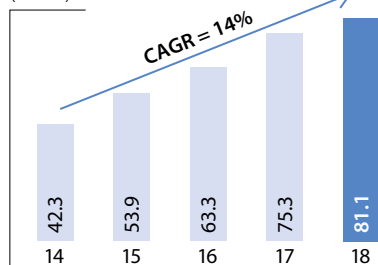
	2018 R'm	Restated* 2017 R'm	Restated* 2016 R'm	Restated* 2015 R'm	Restated* 2014 R'm
Summarised statements of comprehensive income					
Revenue (net of bursaries and discount allowed)	4 389.0	3 937.7	3 224.3	2 594.2	1 850.9
Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA)	942.1	823.3	740.6	557.9	340.8
Depreciation and amortisation	179.4	155.3	132.5	109.6	84.4
Operating profit before interest and non-trading items	762.7	668.0	560.2	454.3	256.4
Non-trading (expenses)/income	(37.5)	(31.1)	47.9	6.0	–
Net finance costs	(132.7)	(99.1)	(81.7)	(119.7)	(9.1)
Profit before taxation	592.5	537.8	526.4	328.6	247.3
Taxation	(185.0)	(160.1)	(148.5)	(102.5)	(80.2)
Total comprehensive income for the year	407.5	377.7	377.9	226.1	167.1
Attributable to minority interest	(10.1)	(10.7)	(5.5)	(1.2)	–
Profit attributable to equity holders of the parent	397.4	367.0	372.4	224.9	167.1
Headline earnings	394.3	367.5	373.5	228.4	167.5
Normalised earnings	434.8	402.5	332.3	241.5	175.9
Summarised statements of financial position					
Shareholders' equity	3 171.9	2 866.1	2 665.6	2 254.5	928.8
Interest bearing debt	2 144.1	1 727.0	1 238.3	1 333.1	550.0
Other non-current liabilities	72.9	49.0	–	–	–
Deferred taxation liability	125.3	108.1	99.3	98.0	–
Other current liabilities	769.0	803.4	631.9	617.1	481.4
	6 283.2	5 553.6	4 635.1	4 302.7	1 960.2
Non-current assets	5 711.8	5 115.0	4 232.5	3 894.2	1 646.0
Bank balances and cash	228.9	109.9	128.2	176.2	113.8
Other current assets	342.5	328.7	274.4	232.3	200.4
	6 283.2	5 553.6	4 635.1	4 302.7	1 960.2
Summarised cash flows					
Cash generated by operating activities	945.8	805.7	737.9	557.5	285.7
Net cash inflow from operating activities	347.6	394.1	291.3	222.6	92.7
Net cash outflow from investing activities	(657.5)	(913.8)	(441.0)	(1 340.4)	(337.7)
Net cash inflow from financing activities	590.4	312.7	78.2	1 180.2	261.2
Net increase/(decrease) in cash and cash equivalents	280.5	(207.0)	(71.5)	62.4	16.2

* The restatement relates to the adoption of IFRS 15. Refer to note 4 of the consolidated annual financial statements.

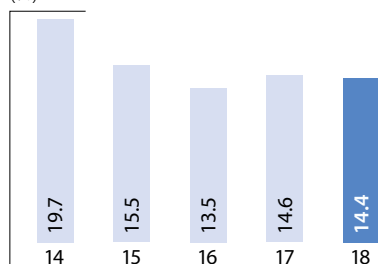
RATIOS *and statistics*

for the year ended 31 December 2018

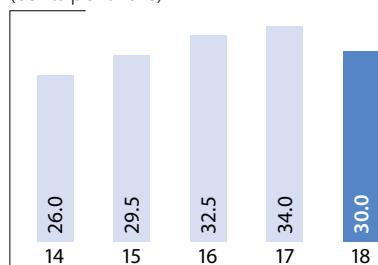
Normalised earnings per share (cents)



Normalised earnings on average shareholders' funds (%)



Distributions to shareholders (cents per share)



Earnings and distribution

Earnings per share (cents)
 Headline earnings per share (cents)
 Normalised earnings per share (cents)
 Distributions to shareholders per share (cents)

Profitability

EBITDA on revenue (%)
 EBIT on revenue (%)
 Operating profit on average shareholders' funds (%)
 Normalised earnings on average shareholders' funds (%)
 Return on funds employed (%)#

Productivity

Revenue per average property, plant and equipment fixed assets (Rand)
 Revenue per employee (R'000)
 Revenue per square metre (Rand)

Finance

Current assets to current liabilities
 Operating cash flow per share (cents)
 Capital expenditure (R'millions)
 Free operating cash flow before capex per share (cents)
 Net asset value per share (cents)
 Debtors days as at 31 December
 Net gearing ratio (%)

Other

Total shares in issue (millions)
 Weighted average number of shares in issue (millions)
 Diluted weighted average number of shares in issue (millions)
 Employee headcount at year-end
 Total capacity occupied ('000 m²)

The return of funds employed is calculated by dividing the normalised EBIT by the average funds employed for the year.

The funds employed for each year is calculated by taking total assets for the year less cash balances and all non-interest bearing liabilities.

* The restatement relates to the adoption of IFRS 15. Refer to note 4 of the consolidated annual financial statements.

	2018	Restated* 2017	Restated* 2016	Restated* 2015	Restated* 2014
Earnings and distribution					
Earnings per share (cents)	74.2	68.7	70.9	50.2	40.2
Headline earnings per share (cents)	73.6	68.8	71.1	51.0	40.3
Normalised earnings per share (cents)	81.1	75.3	63.3	53.9	42.3
Distributions to shareholders per share (cents)	30.0	34.0	32.5	29.5	26.0
Profitability					
EBITDA on revenue (%)	21.5	20.9	23.0	21.5	18.4
EBIT on revenue (%)	16.5	16.2	18.9	17.3	13.9
Operating profit on average shareholders' funds (%)	24.0	23.0	24.7	28.2	28.8
Normalised earnings on average shareholders' funds (%)	14.4	14.6	13.5	15.5	19.7
Return on funds employed (%)#	15.8	16.4	16.4	19.4	21.8
Productivity					
Revenue per average property, plant and equipment fixed assets (Rand)	1.2	1.2	1.2	1.3	1.4
Revenue per employee (R'000)	581.4	584.0	545.0	476.8	458.6
Revenue per square metre (Rand)	8 160.5	7 624.9	7 151.9	6 104.0	6 048.8
Finance					
Current assets to current liabilities	0.3	0.3	0.4	0.4	0.3
Operating cash flow per share (cents)	63.6	72.4	53.5	41.9	22.0
Capital expenditure (R'millions)	555.5	712.6	361.8	406.1	316.4
Free operating cash flow before capex per share (cents)	105.1	109.8	90.9	75.5	47.2
Net asset value per share (cents)	580.3	526.5	489.6	424.7	220.5
Debtors days as at 31 December	21.8	26.7	24.4	27.2	30.3
Net gearing ratio (%)	60.4	56.4	41.6	51.3	47.0
Other					
Total shares in issue (millions)	546.6	544.4	544.4	530.8	421.3
Weighted average number of shares in issue (millions)	535.9	534.2	525.2	447.8	415.8
Diluted weighted average number of shares in issue (millions)	536.1	535.2	525.7	447.8	416.2
Employee headcount at year-end	7 549	6 743	5 916	5 441	4 036
Total capacity occupied ('000 m ²)	537.8	516.4	450.8	425.0	306.0

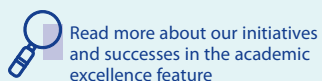


ABOUT *ADvTECH*

Founded in 1978, the ADvTECH group is South Africa's largest private education provider and a continental leader in quality education, training, skills development and placement services.

The group reports its performance in a segmental structure reflecting the schools and tertiary divisions as two separate education divisions, and resourcing as a third division.

At our core, irrespective of the brand, ADvTECH delivers excellence.



Read more about our initiatives and successes in the academic excellence feature

STATEMENT *of purpose*

1

We aim to **build** and grow a high quality organisation in education, training and placement that is widely recognised for passionate commitment and success in enriching people's lives and futures.

2

We aim to **grow** a reputation for our ability to make a real difference to the people we serve, for our connectedness and partnerships with African and global markets and players, for the relevance, quality and usefulness of our offerings, and for the enterprising and agile way in which we approach our task.

3

We will **achieve** this by focusing on our customers and taking a lead from our markets, by our innovative approach, especially in harnessing the power of technology, and by striving for excellence and sustainability in all we do.

OUR VALUES

ETHICS

Through our own ethical conduct, practices and policies we seek to set an example to our learners, students and clients.

PEOPLE CENTREDNESS

Sound education and placement depends on empowered and successful human interaction on a personal level.

HIGH QUALITY

We aim to create and add quality in everything we do.

SUSTAINABILITY

By using resources wisely, and within the means created by our income, we aim to ensure that our organisation continues to serve future generations.

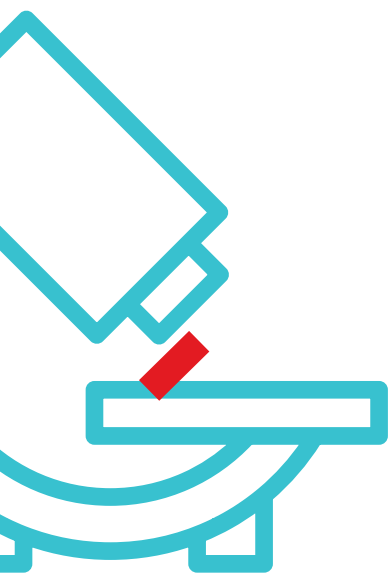
CARING AND RESPONSIBLE LEADERSHIP

We take special responsibility for the people, especially young people, who are students, clients and staff, by our example and by caring for their safety and needs.

RESPECT

Respecting each other as well as clients and candidates.





OUR brands

The brands under the ADvTECH umbrella operate independently while being fully supported by the group. This enables each brand to focus on its offerings and value propositions such as a unique ethos, products and student learning experience, tailored to the specific target audience, community and market. The range of brands and their niche positioning enables us to provide quality education to specific markets.

ADvTECH's schools division comprises ten brands in South Africa, Botswana and Kenya. We own eight distinctive tertiary brands in South Africa and Zambia, including The Independent Institute of Education, which is South Africa's largest and most accredited private higher education institution/university. Resourcing division's nine brands place thousands of candidates annually across the continent in 19 countries.

Read our school brands overview

Read our tertiary brands overview

Read our resourcing brands overview

SCHOOLS



TERTIARY



RESOURCING





OUR PRESENCE *in Africa*

SCHOOLS DIVISION | 103 SCHOOLS



TERTIARY DIVISION | 29 CAMPUSES



RESOURCING DIVISION |
19 COUNTRIES THROUGHOUT AFRICA



 Click on the arrows to
see map interactivity



OUR OPERATING *environment*



Read more about
our strategy

ADvTECH's schools, tertiary and resourcing divisions operate within an environment filled with challenges and, more importantly, opportunities.

With decades of invaluable and unmatched experience providing education and training, we are the market leader in our sectors and we remain well positioned to continue our growth, despite new players entering the market seeking to capitalise on the rising interest in private education on the continent.

The growth in the demand for, and provision of, private education is a positive development for the sector as a whole, but in particular for ADvTECH given our unique value proposition and our focus on academic excellence.

Given the constraints in public sector education, more and more parents are investigating alternatives in the private sector. This is where our strategy of providing high quality education tailored to the needs of specific communities, to best prepare young people for future success in a changing world, differentiates us.

In addition, perceptions regarding affordability are also changing. While fees are at times higher at private institutions, the quantum difference is not always as significant as assumed, particularly when success rates and other differentiators are taken into consideration. In many instances there is, in fact, very little difference.

Private institutions, including ADvTECH's schools and tertiary institutions, do not receive subsidies and are thus dependent on student fees. However, unlike many lower fee options in the public sector, ADvTECH invests consistently in state-of-the-art campuses, up-to-date teaching and learning methodologies and professional academic staff.

Our staff have solid industry track records that facilitates the development of our work-focused curricula and the teaching of our students. These investments pay off in terms of academic success and employability, benefiting our alumni.

There has been some impact on school enrolments as a result of families emigrating and the tough economic environment. Should there be a change this will positively impact our growth prospects.

We continue to believe that there is room in South Africa for the public and the private sector to proceed with a unified higher education strategy as partners.

Despite certain challenges that remain, in terms of an optimal partnership between the public and private sector, these exact same challenges continue to be a strength for ADvTECH in terms of retaining its leadership position in private education, given our track record operating within the previously constrictive policy environment.

While new entrants into the market correctly identify the massive growth opportunities, their capacity to realise these opportunities is impeded by substantial bureaucratic and regulatory constraints. To our advantage, this landscape is one that ADvTECH has navigated for decades. During this time we have built valuable relationships and, crucially, the requisite administrative structures to ensure the successful registration and accreditation of new institutions and qualifications.

As we grow our footprint in the rest of Africa, both through acquisitions and greenfield developments, our experience and track record, combined with the fact that we partner with experts in all facets of the business, will help us extend our high-quality offering in other growth markets.

The resourcing division continues to lead the field due to its focus on the new skills required in a changing world. Because of the unstable political and socio-economic environment, South African companies remain cautious and seek to ensure that candidates are not only technically competent, but also have the soft skills and creative thinking skills that will be required in the face of increasing automation. The division's expertise in niche markets saw growth in its local share, a trend that should continue. With its successful expansion in the rest of Africa, the division is geared to explore further opportunities.



Read more about
our recent Africa
greenfield growth
and acquisition



Read more in the
resourcing division

EXTERNAL FACTORS IMPACTING OUR BUSINESS

- ▶ Socio-economic environment
- ▶ Regulations
- ▶ Reputation
- ▶ Transformation



Read more about
our strategy

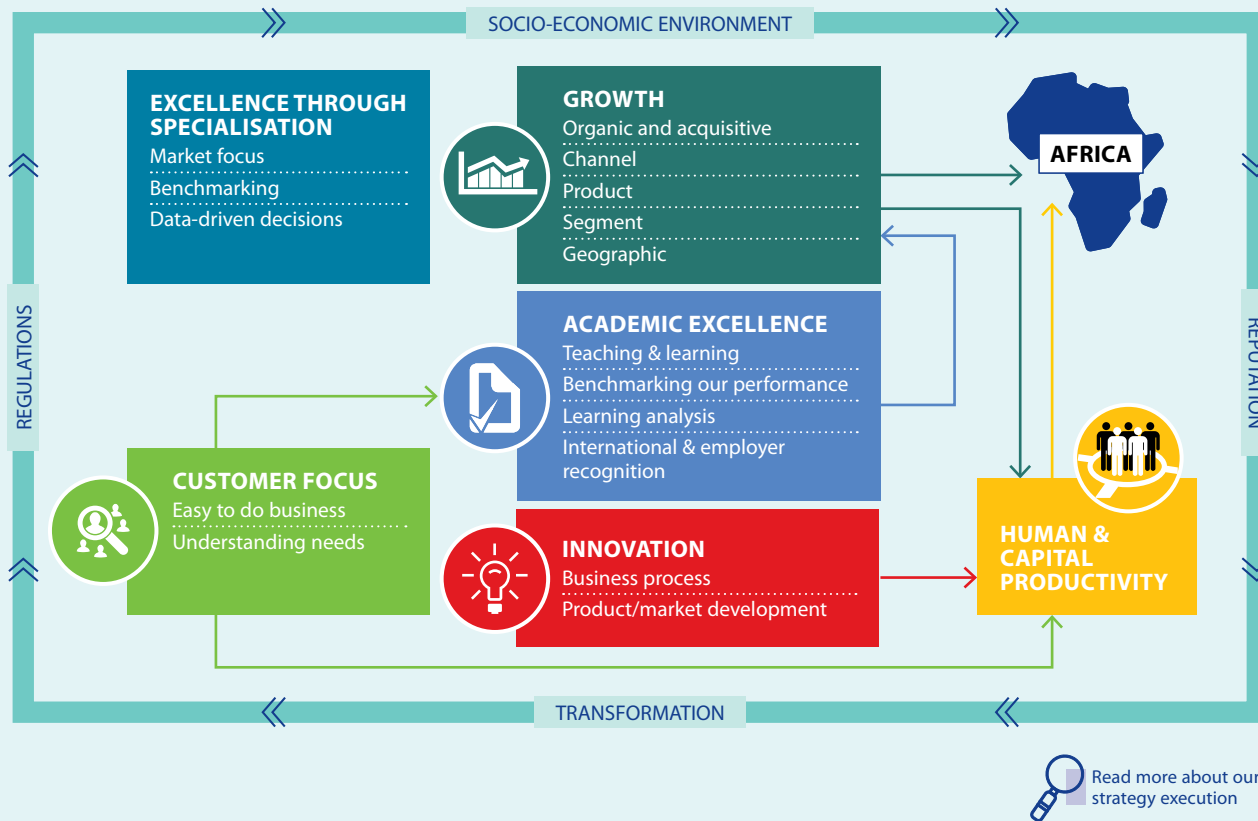


Read the schools
divisional review



Read the tertiary
divisional review

OUR STRATEGIC *objectives*



ACADEMIC EXCELLENCE

To ensure academic excellence, we remain up to date with developments in pedagogy and supporting tools, including technology and implementing those that will drive improved academic performance. Performance is measured and benchmarked internally and externally. Learning analytics enable responsiveness and goal setting. We seek international and employer recognition for our institutions, programmes and graduates.

EXCELLENCE THROUGH SPECIALISATION

Realising excellence by targeting high demand markets with specialist skills and with a continuously refreshed candidate database to ensure that we are best positioned to meet our clients' needs.

INNOVATION

Customer Centricity

Proactively seek to understand customer learning experience requirements and strive to simplify their interactions with all parts of the business.

Product Innovation

Frequent product and market trend monitoring and interpretation that drives relevant and sustainable product development.

Shared Services and business improvement

Building a trusted partnership that provides value-adding services to enable our education and resourcing communities to focus on their core functions of delivering the group's strategic imperatives.

HUMAN PRODUCTIVITY

Skills Development

Empowering employees with skills relevant to their current roles and future career aspirations.

Employee Value Proposition

To create the conditions to attract critical skills and retain high performing employees.

Graduate Placement

Actively ensuring that our academic offerings have 'real world' application and that students are immediately employable.

CAPITAL PRODUCTIVITY

Identifying the most appropriate investment opportunities and leveraging the associated benefits while protecting and enhancing the respective assets for the best returns.

GROWTH

Growth is attainable by expanding our existing brands organically and through strategic acquisitions. This is combined with identifying new market segments to enter, exploring new channels to market and developing new products. By geographically identifying new locations, including in the rest of Africa, we extend our growth trajectory.

GROWTH INTO THE REST OF AFRICA

We acknowledge the enormous growth potential the rest of Africa holds for AdvTECH. We believe our products can make a positive impact while fulfilling the need for quality education.



HOW WE EXECUTE *on our strategic objectives*

GROUP

Our commitment to excellence is fundamental to the growth of our business. Students, parents, alumni, new and existing clients and all our other stakeholders rely on our ability to stay at the forefront of developments in education, training and placement. This will remain at the very heart of our strategy.

In the education sector, we have earned a reputation for delivering outstanding academic results, a reputation which is built on academic integrity. Never compromising on quality is the core of our business and we strive to always maintain the confidence of all our stakeholders.



[Read more about our academic excellence](#)

Organic growth is a key measure of our business, and together with acquisitions that add value to our existing portfolio, form an important part of our strategy. We strive to ensure that our businesses are healthy and growing.

We continuously update our products, systems and processes so that they remain relevant, and we maintain a balance between our commitment to excellence and our operational overheads. Customer service, supported by technology, is essential to our ability to remain operationally competitive. We therefore do our utmost to understand student, parent and client needs so that doing business with us is an easy process, while also staying abreast of innovations and advancements in technology.

We recognise that future development must take place within a sustainable social, economic and environmental milieu. We contribute to the achievement of the Sustainable Development Goals (SDGs) by ensuring that our campuses and programmes are environmentally sustainable and socially inclusive.

Attracting and retaining the best people is a key priority and we realise that we would not achieve success without the enthusiasm, commitment and hard work of our staff members. Therefore, we continually invest in our people and strive to offer optimum working conditions to sustain our key differentiators of academic excellence and targeted brand offerings.



Pinnacle College, Copperleaf

SCHOOLS DIVISION

The division is renowned for its commitment to academic excellence. This commitment is at the core of the business, which provides quality pre-primary, primary and secondary education that is fundamental to the sustainability and reputation of the group. Therefore, we consistently strive to deliver excellence to maintain our leading position as an education provider.

We also strive to promote the implementation of social equity, environmental sustainability and responsible actions as part of the syllabus, as well as through co-curricular and extra-mural activities by means of innovative teaching methodologies to support this.

Our development of a nurturing environment of innovation and academic excellence, results in a balanced and confident child who is able to identify and embrace personal growth opportunities, both now and in the future.

Each AdvTECH schools division brand has an individual strategy which is informed by the brand value proposition and overall group strategies. Each brand remains true to its own set of values, while taking care to execute its goals within the ambit of the broader group strategy.



[Read more in the divisional review](#)



HOW WE EXECUTE *on our strategic objectives continued*



Vega, Johannesburg campus

TERTIARY DIVISION

Our strategy is to drive the quality and accessibility of our qualifications.

We focus on ensuring that our qualifications remain current and relevant and that the content and assessments bridge the curriculum and the constantly evolving world of work. Our programmes prepare students for the workplace by incorporating placements and simulated workplace experience or other practical components. To ensure that many of our graduates find employment we have developed several

support and development initiatives which includes our very successful Graduate Empowerment Programme (GEP).

We recognise the enormous social, economic and environmental challenges faced by our graduates. We provide our graduates with the knowledge and skills needed to promote sustainable and educational development goals.



Read more in the
divisional review



Read more about
sustainability

RESOURCING DIVISION

Attracting and retaining the best people remains our priority. We realise that we would not be able to achieve success without the enthusiasm, commitment and hard work of all staff members across the division.

We therefore continually invest in our people and strive to offer optimum working conditions to sustain our market-leading position in the recruitment industry. Over the past three years, our consultant retention and development strategies, together with standardising employment benefits, have proven effective.

Having numerous brands in one division creates a healthy level of competition while at the same time, all can benefit from shared expertise and well-documented best practice principles. The resourcing brands all have distinct personalities, but they have one thing in common: commitment to providing the highest levels of service to their candidates and clients.

Resourcing services include an in-depth analysis of specific needs, personalised advice on market trends and available opportunities in a given market sector. Each client deals with a single recruiter who takes care of their specialist needs.

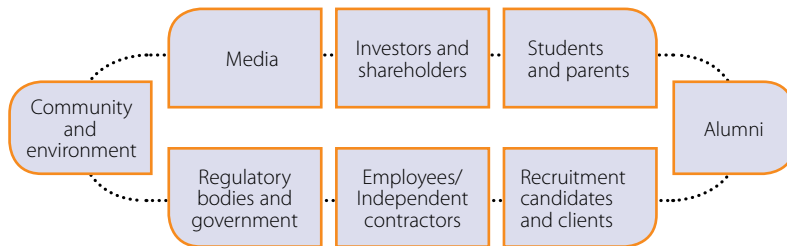
The transformation of our workforce to better represent the communities in which we operate remains an ongoing focus for the division. A proprietary learnership programme, arranged through the Federation of African Professional Staffing Organisations (APSO), is in place to enable the development of critical scarce skills in the South African employment sector. It equips talented individuals with the skills they need to find employment.



Read more in the
divisional review

KEY STAKEHOLDER *relationships*

Our stakeholders are individuals, groups or organisations who contribute to and who are, or could be, impacted by the group's activities, products or services. They hold us accountable for our activities. The key stakeholder groups with whom we interact regularly as well as their roles are:



INVESTORS AND SHAREHOLDERS

WHY THEY ARE IMPORTANT TO US

ADvTECH, our shareholders and investors have a shared interest in the group's success. These stakeholders contribute fiscal support to the business and enable us to grow in South Africa and the rest of Africa

THEIR INTERESTS

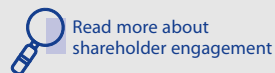
- > Growth prospects
- > Group performance
- > Management remuneration
- > Policies
- > Strategy
- > Sustainability
- > Compliance with the JSE Listing Requirements
- > Corporate governance

HOW WE ENGAGE

- > Regular financial results presentations
- > Integrated annual report and interim financial results publications
- > Our relationship with the JSE is managed by our sponsor, Bridge
- Capital, in accordance with the JSE Listings Requirements
- > SENS announcements through the JSE Limited
- > Media releases
- > Engagements and individual meetings
- with investors and analysts by the group CEO and group FD
- > Investor site visits
- > Annual general meeting (AGM)
- > King IV™ compliance report, available at www.advtech.co.za

OUR VALUE-ADD

- > A sustainable group geared for long-term growth
- > Regular dividend payments
- > HEPS/NEPS/Trading operating profit
- > Provide a market-related return on investment



STUDENTS AND PARENTS

WHY THEY ARE IMPORTANT TO US

Current parents and students and those who would potentially join our institutions are vital to the business as they create the demand needed for us to remain sustainable

THEIR INTERESTS

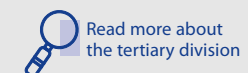
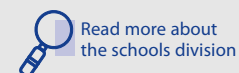
- > Quality offerings – academic, cultural and sport
- > Customer service
- > Policies
- > Qualified staff
- > Reputation
- > Safe innovative learning spaces

HOW WE ENGAGE

- > Teachers, lecturers and students engage daily
- > Parent functions and meetings
- > Opening addresses by principals and key stakeholders
- > Cloud-based student information system
- > New online parent portal
- > Continuous assessment and feedback on student progress
- > Tertiary student portal for students registered with The Independent Institute of Education (IIE)
- > Electronic and mobile communication
- > Newsletters and magazines
- > Student support teams and school counsellors
- > Websites, student mobile application, WhatsApp and D6 Communicator
- > Call centres, service desks, academic support and student self-help tools
- > Social media
- > Schools advocate an open-door policy for students, parents and other stakeholders with many schools having one or more on-site counsellors available for assistance
- > An ethics hotline via student portals for tertiary students to report unethical behaviour
- > Additional support when needed
- > Student and parent customer satisfaction surveys for rating satisfaction, quality, service and relationships. Valuable customer insights gained to enable us to constantly improve our delivery on the brands' value proposition

OUR VALUE-ADD

- > 11 000 student queries have been resolved by the service desk using the new platform. This is testament to the buy-in, adoption and success of the system in enhancing the customer service experience
- > Our brands offer a full spectrum of cultural and sports activities for students to enhance and improve their experience
- > The rebranding of Pinnacle schools through parent and student engagements, websites, advertising and a variety of communication materials is an ongoing process. It is being well received by the respective communities indicated by a notable increase in queries and enrolments. The creation of value for money mid-fee schools such as Pinnacle, provides greater access to quality education
- > The schools academic team continued their proactive engagement with parents and educating them on global competencies, digital literacy and global citizenship
- > Easy to use technology and appropriate guidelines has improved our communication and service delivery to parents and students
- > We encourage honest feedback through surveys and take appropriate action to improve our products and customer service





KEY STAKEHOLDER *relationships continued*

ALUMNI

WHY THEY ARE IMPORTANT TO US

It is important to foster our relationships with alumni as their success is based on the quality of education provided. In turn, we use this as evidence of the impact of our teaching and learning methodologies

THEIR INTERESTS

- > Career prospects
- > Networking
- > Further education
- > Development and continued success of their institutions

HOW WE ENGAGE

- > Increased work placement surveys
- > Electronic communication such as websites, social media platforms and newsletters
- > Graduate and alumni surveys and feature stories including media releases to determine employment status, career success and achievements
- > Functions to actively engage with alumni and provide networking opportunities

OUR VALUE-ADD

- > The GEP programmes support graduates in finding employment
- > Increased quality engagement
- > Functions and network opportunities for alumni keep them abreast of relevant developments
- within their field of study and industry, but also expands their work and social network
- > Creating successful alumni builds our reputation as they excel in their careers and spheres of influence



RECRUITMENT CANDIDATES AND CLIENTS

WHY THEY ARE IMPORTANT TO US

Our customers, both candidates and clients, provide the mandate for us to operate in the recruitment market

THEIR INTERESTS

- > Customer service
- > Quality applicants and vacancies
- > Pay scales

HOW WE ENGAGE

- > Regular face-to-face consultations and interviews
- > Electronic communication including websites, social media platforms and newsletters. LinkedIn is a well-utilised platform
- > Salary survey reports
- > Media releases, the use of social media with video clips to share tips, information and facilitate the recruitment process for candidates and clients

OUR VALUE-ADD

- > New innovation forums aimed at improving the online user experience
- > Regular surveys provide valuable feedback to better align us to market and client needs
- > Easy to use technology enhances service levels



MEDIA

WHY THEY ARE IMPORTANT TO US

The media keeps our stakeholders informed, which in turn affects our business operations

THEIR INTERESTS

- > Group performance
- > Growth prospects
- > Plans
- > Policies
- > Reputation
- > Quality
- > Successes

HOW WE ENGAGE

- > Regular results presentations
- > Integrated annual report and interim financial results
- > SENS announcements through the JSE Limited
- > AGM
- > Media releases
- > Proactive public relations (PR) and educational media releases addressing relevant topics and the role of private education in South Africa

OUR VALUE-ADD

- > Addressing the fact that private higher education institutions are legally prohibited from calling themselves "private universities"
- > Proactive PR campaign focusing on academic excellence for schools and tertiary divisions
- > We use local community media to build relationships with the community in which our brands and sites operate



KEY STAKEHOLDER *relationships continued*

EMPLOYEES / INDEPENDENT CONTRACTORS

WHY THEY ARE IMPORTANT TO US

Every part of our business revolves around people. Therefore, we pride ourselves in attracting and retaining top talent in the sectors in which we operate

Our employees are passionate and highly skilled. They have a commitment to quality and excellence and drive the execution of the ADvTECH strategy while maintaining company values

THEIR INTERESTS

- > Skills development and training
- > Competitive remuneration and benefits
- > Company growth, which brings about career prospects and challenging work/projects
- > Development programmes
- > Health, safety and wellness
- > Diverse work environment
- > Strategy
- > Sustainability
- > Recognition

HOW WE ENGAGE

- > ADvNET, our group intranet, reaches employees across all our brands and sites, allowing for interactive communication
- > Communication is effected by means of workshops, presentations, Skype meetings, newsletters, video clips and project update meetings
- > Employees attend a variety of workshops and training sessions including the management toolkit programmes for new managers, and leadership programmes as well as coaching sessions with line managers to improve their leadership style and better support the various changes throughout the business
- > Increased change support initiatives continue in order to assist schools division employees affected by restructuring, the introduction of shared services, academic enhancements and the implementation of new systems
- > A teacher portal for the schools division
- > Regular health and wellness programmes
- > Cultural events to celebrate employee diversity
- > Employment equity and disability awareness communication campaigns and workshops
- > Awards and employee recognition functions
- > Increased CEO roadshows and strategy sessions for senior and middle management teams
- > Surveys are conducted at brand level to measure internal and external employee satisfaction
- > Health and safety representatives were appointed and trained at their respective sites, ensuring that our employees are well equipped to deal with emergency incidents



Read more about
our investment in our people

OUR VALUE-ADD

- > Support, develop and equip our employees to be the best they can be
- > Regular feedback and strategy alignment sessions
- > Various training opportunities to improve internal capabilities and retain employees
- > A new Principal Development Programme (PDP) was launched in the education division and attended by 20 participants in 2018. The purpose of the programme is to enable principals to be leaders in a customer centric culture
- > During the last quarter of 2018, there has been a notable shift in the volume of student information system-related queries, indicating a level of comfort from users and a shift in the change communication adoption process
- > Improved staff productivity through recognition of inter-departmental changes and top performing staff resulted in improved staff retention and productivity



KEY STAKEHOLDER *relationships continued*

REGULATORY BODIES AND GOVERNMENT

WHY THEY ARE IMPORTANT TO US

Regulatory and professional bodies, associations and government enforce regulatory standards and guidelines to which we adhere to in our operating environment

THEIR INTERESTS

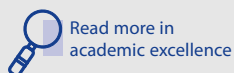
- > Regulatory compliance
- > Policy adherence

HOW WE ENGAGE

- > Founding contributor of annual academic publication, *The Independent Journal of Teaching and Learning*
- > Programme Accreditation with the Higher Education Quality Council (HEQC) of the Council of Higher Education (CHE)
- > Registration with the Department of Basic Education (DBE) and Department of Higher Education and Training (DHET)
- > Accredited with the British Accreditation Council (BAC)
- > Accreditation with the SA Institute of Chartered Accountants (SAICA)
- > Representation and participation at the Department of Basic Education's working committee on Home Education policy and related regulations
- > Associate member of the Independent Schools Association of Southern Africa (ISASA)
- > Founder and member of the South African Private Higher Education (SAPHE) association
- > Member of the Association of Personnel Service Organisations (APSO)
- > Member of the Institute for Personnel Service Consultants (IPSC)
- > Member of the Confederation of Associations in the Private Employment Sector (CAPES)

OUR VALUE-ADD

- > The IIE went through a reaccreditation process and retains accreditation with the British Accreditation Council (BAC)
- > Approval from the Competition Commission and CHE approval for the transfer of the MSA accreditation to the IIE was obtained in respect of the MSA transaction
- > The submission to the DHET, in respect of the transfer of the MSA programmes and site to the IIE, was approved
- > We strive to maintain a good relationship with governmental authorities to ensure regulatory compliance within each jurisdiction in which we operate



COMMUNITY AND ENVIRONMENT

WHY THEY ARE IMPORTANT TO US

Our brands form an integral part of and play an important role in the communities in which they operate

THEIR INTERESTS

- > Community development through education support
- > Bursaries
- > Reputation
- > Input into communities

HOW WE ENGAGE

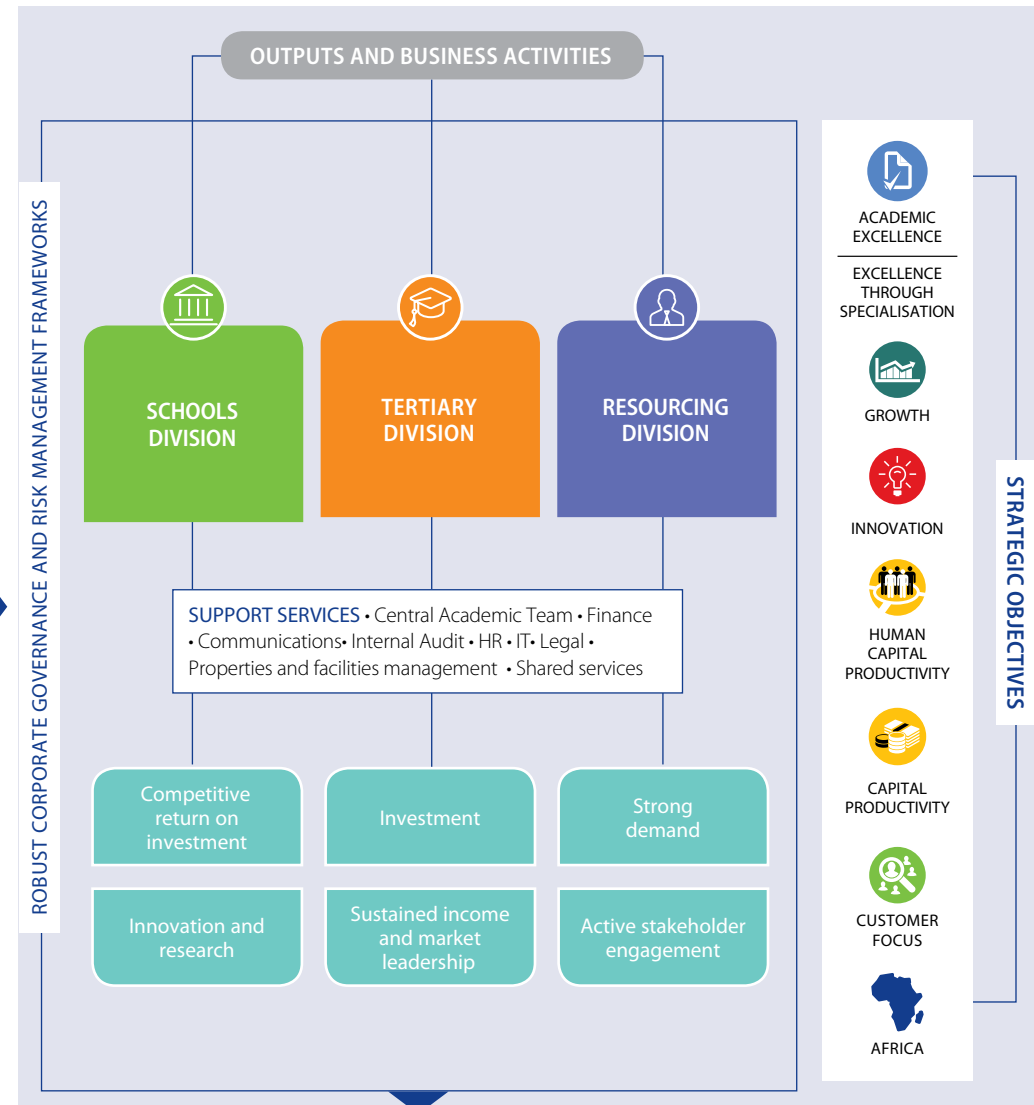
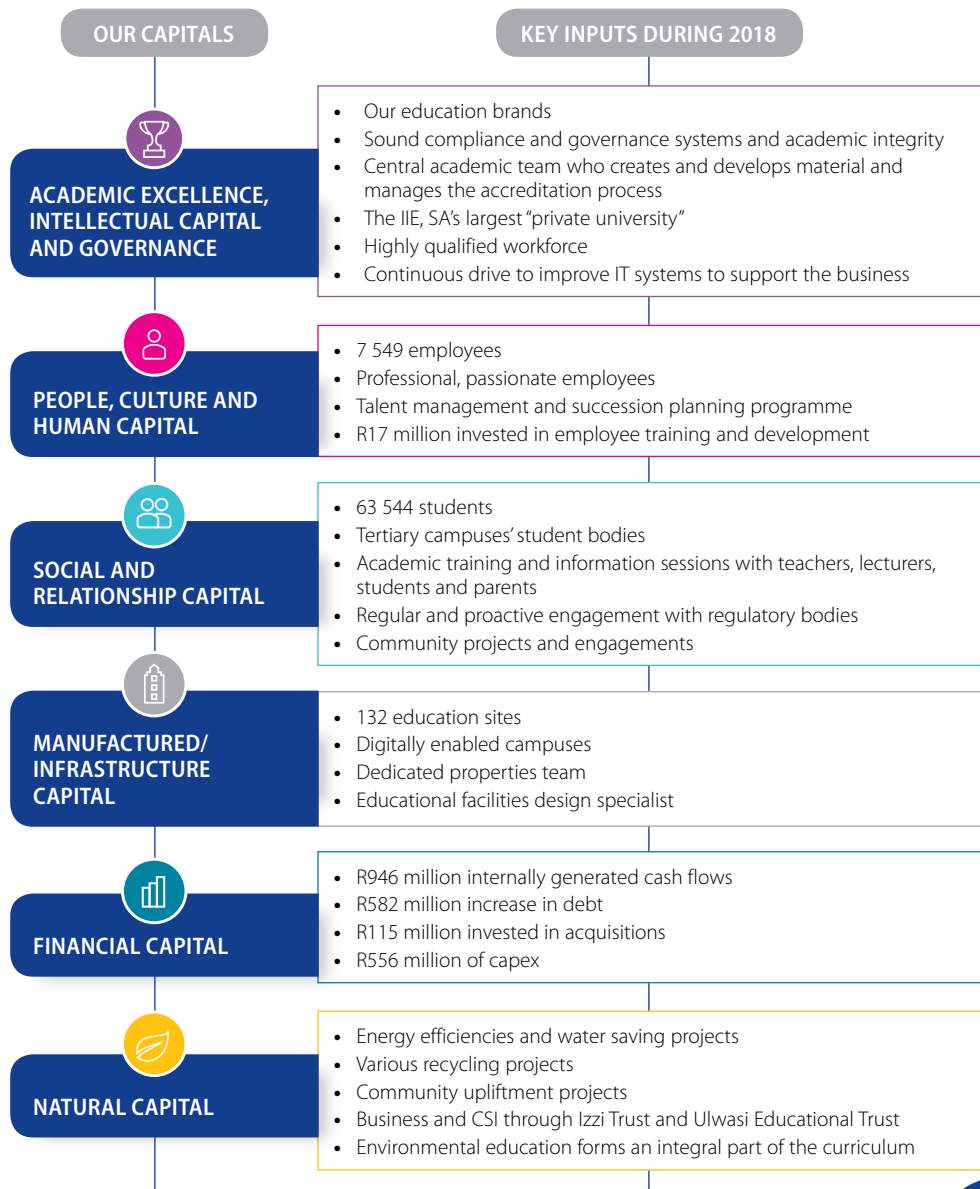
- > The group awarded various bursaries including a student teacher bursary programme
- > Aligning with communities' needs
- > Initiating and partaking in various CSI projects and initiatives
- > Most of our schools support disadvantaged schools in their communities through tutoring, academic and administrative support and various donations such as food parcels, clothes and school supplies
- > We promote sustainable development through all our programmes and activities
- > Initiating or participating in various greening initiatives
- > Conservation and clean-up projects
- > We encourage and support voluntary testing and education to minimise the stigma around those living with HIV/Aids

OUR VALUE-ADD

- > The group awarded bursaries to the value of R174 million
- > The student teacher bursary programme provides an opportunity for young aspiring teachers to be developed through mentorship, guidance and on-the-job training. The aim of the programme is to produce well-grounded quality educators, many of whom go on to teach at AdvTECH schools after graduating and ensures a future pipeline of suitably trained teachers to support business and academic continuity
- > Value added by students and employees involved in 605 CSI projects including:
 - Social welfare – 514 projects
 - Environmental welfare – 49 projects
 - Animal welfare – 42 projects
- > Captured rain and storm water to recycle for use on sports fields
- > Recycling waste
- > We have seen an increase in the use of video conferencing within the business, thus reducing travel costs and the associated negative impact on the environment



OUR BUSINESS *model* | HOW WE CREATE VALUE



OUR BUSINESS *model* | HOW WE CREATE VALUE *continued*

OUTCOMES ON OUR CAPITALS

ACADEMIC EXCELLENCE, INTELLECTUAL CAPITAL AND GOVERNANCE



- Reputation for academic excellence
- Excellent matric results with a 99% pass rate
- Excellent local and international assessment results
- International recognition by US Ivy League schools
- 5 811 IIE graduates in 2018
- Accredited and endorsed by reputable local and international bodies
- Affiliated with organisations ensuring relevance and compliance with top industry practices
- Member of the Independent Schools Association of Southern Africa (ISASA)

PEOPLE, CULTURE AND HUMAN CAPITAL



- 459 long service awards
- 166 employees attending management training programmes
- R1 970 million in salaries and benefits paid to employees

SOCIAL AND RELATIONSHIP CAPITAL



- New 24 hour online customer service platform successfully resolved queries
- Invested in student information system services in both schools and tertiary divisions
- 6% increase in student numbers in 2018
- 4 608 job candidates placed during 2018

MANUFACTURED/ INFRASTRUCTURE CAPITAL



- Increase in number of educational sites
- Makini acquisition concluded in 2018
- Achieved strong organic growth in tertiary and resourcing divisions
- Improved pipeline for greenfield developments
- Capacity growth of 4% through our facilities developed
- Developed a footprint in East Africa
- Enhanced our unique academic offering at schools
- IIE 101 DHET accredited and registered qualifications offered
- Total of 201 accredited tertiary division courses

FINANCIAL CAPITAL



- Revenue up 11% to R4.4 billion
- Operating profit up 14% to R763 million
- NEPS up 8%
- Free cash flow per share 105.3 cents
- Dividends per share 30.0 cents

NATURAL CAPITAL



- 605 CSI projects undertaken
- Bursaries awarded to the value of R174 million
- Environmentally friendly campuses: gas geysers, rainwater capture tanks, recycling and using video conferencing to reduce travel costs
- Teacher training bursary graduates placed within ADVTECH schools
- Three schools were internationally certified as eco-schools
- Resourcing division achieved B-BBEE Level eight compliance on the new codes. Subsequent to year-end a level four rating was achieved



OUR PERFORMANCE *against strategic objectives, risks and opportunities*

Read more about our targets in the Remuneration committee report

STRATEGIC OBJECTIVE



ACADEMIC EXCELLENCE

To ensure academic excellence, we remain up to date with developments in pedagogy and supporting tools, including technology and implementing those that will drive improved academic performance. Performance is measured and benchmarked internally and externally. Learning analytics enable responsiveness and goal setting. We seek international and employer recognition for our institutions, programmes and graduates.

PERFORMANCE AGAINST OBJECTIVES

ACTIVITIES

SCHOOLS

- > Developed and enhanced the teaching and learning environment
- > Developed a new curriculum for assisted learning
- > Digital new age technology facilities increased across schools
- > Benchmarking our performance, locally and internationally
- > Invested in a learning analytics student information system

TERTIARY

- > Academic development of relevant qualifications
- > Ensuring constructive alignment between all curriculum aspects
- > Growth in postgraduate programme offerings
- > Benchmarking our performance, locally and internationally
- > Enhanced technology supported teaching and learning both contact and distance
- > Remain focused on graduate employability

PERFORMANCE OUTCOMES

SCHOOLS

- > Excellent matric results
- > Alumni successes
- > Support and workshops for principals and teachers
- > International recognition of academic excellence:
 - Hosted and participated in Tournament of the Minds (TOM), a first in South Africa
 - US Ivy League universities visited CrawfordColleges™ and recruited students
 - Integrated the United Nations Sustainable Development Goals of 2030 into our curriculum
 - Participation in external benchmarks by ACER (Australian Council of Education Research)

TERTIARY

- > Two new DHET registered and CHE accredited IIE qualifications were added to the portfolio
- > Four new courses were introduced
- > 82% average module pass rates
- > 22% module distinction rate
- > The IIE remains accredited with the British Accreditation Council (BAC)
- > Total of 101 DHET accredited IIE courses
- > School of Education opened at Rosebank College
- > Brands and students received local and international accolades
- > Varsity College students obtained an 82% pass rate for the SAICA ITC board exams with four of the top 20 students being from Varsity College
- > Vega students made their presence felt in industry competitions by winning several national accolades
- > Capsicum and The Private Hotel School students and lecturers excelled by winning eight well-known industry accolades

KEY CHALLENGES

- > Recruiting and retaining the best teachers, lecturers and other academic staff
- > Maintaining suitable standards of performance to protect differentiated position
- > Entrenching new educational methods and strategies in the schools and tertiary institutions
- > General understanding and recognition by the market and employers that private Higher Education institutions are of equal standing to public universities

OPPORTUNITIES

- > Increase participation in our programme to develop and grow suitable teachers, lecturers and other academic staff
- > Educate the media and greater public on academic issues such as our standing as a "private university"

RISKS

- > Not being able to recruit and retain suitable teachers, lecturers and other academic staff
- > Non-compliance with academic standards that results in poor student performance and/or student and/or parent/fee payer dissatisfaction
- > Insufficient acceptance/recognition of our qualifications or graduates by employers or other educational institutions
- > Results negatively impacted by a substantial curriculum shift or other changes leading to reputational damage
- > Non-compliance with education regulations and/or professional body requirements

MITIGATION ACTIONS

- > Maintaining and improving our excellent academic reputation receives consistent attention. We offer market-related remuneration combined with good working conditions in order to attract and retain the best academic staff
- > Our development programmes are based on local and international best practice. We regularly conduct performance reviews against measurable outcomes to ensure that our programmes remain relevant and effective
- > Collaboration with e-learning specialists to enhance digital literacy across AdvTECH schools
- > We ensure that we comply fully with all regulations
- > We engage with professional bodies as required to ensure compliance to their requirements
- > An IIE qualification focused on higher education and lecturing skills, the postgraduate qualification in higher education (PGHE), is available through distance educational platforms
- > Increased public relations efforts focusing on academic matters and educating the media, public and employers

OUR PERFORMANCE *against strategic objectives, risks and opportunities continued*

Read more about our targets in the Remuneration committee report

STRATEGIC OBJECTIVE

EXCELLENCE THROUGH SPECIALISATION

Realising excellence by targeting high demand markets with specialist skills and with a continuously refreshed candidate database to ensure that we are best positioned to meet our clients' needs.

PERFORMANCE AGAINST OBJECTIVES

ACTIVITIES

RESOURCING

- > Continued to focus on the key niche areas of:
 - Finance
 - ICT
 - Engineering
 - Supply chain
 - Logistics
 - Freight
- > Expanded and sought opportunities outside of South Africa
- > Improved efficiencies and cost savings

PERFORMANCE OUTCOMES

- > Strong growth achieved in the rest of Africa
- > Increased our market share in South Africa
- > Continuous improvement in operating structures and client experience

KEY CHALLENGES

- > Evidence of industry convergence with non-traditional organisations providing recruitment services, increasing the competition in a market with a shrinking candidate base

OPPORTUNITIES

- > Geographic expansion by seeking additional opportunities outside South Africa
- > Ensure excellence to continue increasing our market share
- > Seek new high growth niches to service

RISKS

- > Increasingly volatile economic environment has potential to reduce recruitment activity
- > New models may change the way in which recruitment is undertaken

MITIGATION ACTIONS

- > By following a niche strategy, we build specialist knowledge which allows us to provide the best candidates to our customers
- > Ongoing commitment to our unique market position allows us to persist through dynamic economic conditions and gives us confidence that we will be the preferred partner to clients and candidates in our niches
- > Relentless focus on performance indicators allows us to deliver a high quality service
- > Continue to explore new technologies and channels to market in order to ensure that we remain relevant

Read more in the resourcing divisional review

OUR PERFORMANCE *against strategic objectives, risks and opportunities continued*

Read more about our targets in the Remuneration committee report

STRATEGIC OBJECTIVE



GROWTH

Growth is attainable by expanding our existing brands organically and through strategic acquisitions. This is combined with identifying new market segments to enter, exploring new channels to market and developing new products. By geographically identifying new locations, including in the rest of Africa, we extend our growth trajectory.

PERFORMANCE AGAINST OBJECTIVES

ACTIVITIES		PERFORMANCE OUTCOMES	
South Africa	GREENFIELD DEVELOPMENTS IN 2018 > The Bridge Assisted learning > Pinnacle Copperleaf High School > Maragon Mooikloof High School > Opened a joint campus for Capsicum and The Private Hotel School in Johannesburg > Rosebank College digitally enabled campuses in Pietermaritzburg and Bloemfontein	South Africa	> Strong organic growth in schools mid-fee brands and tertiary division > Repositioning and rebranding existing schools to the new mid-fee Pinnacle brand offering > 19 000m² of schools capacity added, resulting in a 6% capacity increase > Five new schools and three new tertiary campuses opened in 2018
	ACQUIRED – South Africa > Monash South Africa (MSA) effective April 2019		Read more in the schools divisional review Read more in the tertiary divisional review
Rest of Africa	NEW DEVELOPMENTS > Crawford International School in Nairobi opened in September 2018 > Actively assessing opportunities in the rest of Africa, with in-depth work done to identify and research markets and potential acquisitions	Rest of Africa	> Establishing and expanding our footprint in East Africa > Diversifying revenue streams generated outside of South Africa > New partnership which aims to acquire suitable schools across the continent and build a network of institutions known for their academic excellence in the mid-fee segment
	ACQUIRED > Makini Schools in Nairobi and Kisumu, Kenya, in partnership with Schole International Ltd		

KEY CHALLENGES

- > Emigration
- > Identifying the best available acquisitions and sites
- > Slow growth economy
- > Identifying new product segments with high employability demand
- > Regulatory changes and delays outside of our control
- > Integrating acquisitions into our business systems and processes

- > Finding acquisition opportunities in the rest of Africa
- > Different regulations compared to South Africa
- > Currency fluctuations may impact our return on investment

OPPORTUNITIES

- > Growth in the private school mid-fee sector
- > Grow the tourism, hotel, hospitality and culinary offerings
- > Continued demand for affordable, quality tertiary education

- > Identify further growth opportunities in Africa

Perf against strategic objectives continued

RISKS

- > Acquiring institutions that do not perform in line with expectations
- > Planned growth could be hindered if suitable sites and acquisition targets are not found
- > Growth could be limited due to a slow economic growth environment
- > Lack of support from students for new products brought to market
- > Compliance with regulatory requirements that are time consuming and costly, which may result in project delays
- > Competition for sites and acquisitions driving prices up
- > High investment costs of projects that may underperform

- > The negative perception of South Africa makes it difficult to conclude potential acquisitions
- > Inexperience in dealing with local regulations could hamper operations and timelines
- > Currency fluctuations may have an impact on the financial success of acquisitions
- > Heightened political risk in certain African countries

MITIGATION ACTIONS

- > Detailed market research is undertaken
- > Thorough due diligence is conducted
- > We constantly re-evaluate our products and pricing to ensure relevance and value for money
- > New geographies are continuously investigated
- > Expansion plans have been extended to include the mid-fee education market in addition to the premium market
- > Research has shown that the hospitality and culinary sectors have seen a growth spurt and continue to do so
- > We are developing products in areas of high demand for employment and expanding the offering geographically
- > The blended learning model has proven to be successful, assuring quality and affordable qualifications. Plans are in place to continue to roll out digital campuses nationally
- > We ensure that we have good knowledge of regulations so that we comply fully with them in the shortest possible time

- > ADvTECH's reputation and track record in delivering high quality education spans several decades
- > The International Finance Corporation (IFC) collaboration opens doors to existing markets as well as potential acquisitions through their expansive network and in-country knowledge
- > Our preferred entry into new markets is through partnerships with established institutions with good management, local knowledge and operational experience
- > Where possible, actions to mitigate against currency fluctuations will be put in place
- > Investments will only be considered in politically and socially stable countries

OUR PERFORMANCE *against strategic objectives, risks and opportunities* continued

Read more about our targets in the Remuneration committee report

STRATEGIC OBJECTIVE



INNOVATION

1. CUSTOMER CENTRICITY

Proactively seek to understand customer learning experience requirements and strive to simplify their interactions with all parts of the business.

PERFORMANCE AGAINST OBJECTIVES

ACTIVITIES

- > Implemented the student information system across the schools division and launched both parent and teacher portals to improve efficiencies in key processes, which will have a direct impact on the customer experience
- > Online registration and service desk implemented across tertiary division to facilitate the registration process and provide customer support
- > Customer surveys conducted across brands
- > Schools websites redesigned and relaunched on a cloud-based platform using the latest web technology

PERFORMANCE OUTCOMES

- > Education brands provided with high-quality analytical reporting platform, a system that generates actionable insights and management tools to drive best practice and individualised focus
- > One system from kindergarten to postgraduate which enables data-driven decisions
- > Queries have been resolved by the service desk using the new platform
- > Improved service to customers
- > The new websites integrate the student information system and employ advanced analytics to improve the customer experience and online enrolments
- > Efficient online registration process implemented

KEY CHALLENGES

- > Owing to a highly competitive market segment, it is increasingly difficult to understand customer needs, given the diverse choices available

OPPORTUNITIES

- > Tailor the student information system to our specific needs based on best practice
- > Update processes and streamline efficiencies

RISKS

- > Investing in technology that rapidly becomes obsolete as newer technologies are launched
- > Investment into high-tech innovations that are not used to their full capacity will not deliver the desired benefits
- > Issues with online registration system could impact the effective enrolment of students with a negative impact on revenue

MITIGATION ACTIONS

- > Applying a robust methodology to assess the most appropriate application/system based on detailed business requirements prevents unsustainable investments
- > Using a 'proof of concept' driven implementation philosophy allows us to test the suitability costs, benefits and usability of all technology before it is rolled out
- > By leveraging a comprehensive testing approach, we are able to ensure usability and suitability whilst also having an effective roll-back plan to revert to the current registration process in case the proposed system fails

OUR PERFORMANCE *against strategic objectives, risks and opportunities continued*

Read more about our targets in the Remuneration committee report

STRATEGIC OBJECTIVE



INNOVATION *continued*

2. PRODUCT INNOVATION

Frequent product and market trend monitoring and interpretation that drives relevant and sustainable product development.

PERFORMANCE AGAINST OBJECTIVES

ACTIVITIES

New products developed:

- > Launched a mid-fee brand, Pinnacle Colleges
- > The Bridge Assisted Learning School, a new niche product offering, opened in 2018
- > Abbotts College rolled out grades 8 and 9 nationally
- > Two new IIE degrees accredited

PERFORMANCE OUTCOMES

- > Repositioning and rebranding of four schools under the new Pinnacle brand
- > The Bridge Assisted Learning School's enrolments exceeded expectations
- > The success of a pilot project introducing grades 8 and 9 at Abbotts College has led to a national roll-out

KEY CHALLENGES

- > Fast pace of change in the employment market challenges the relevancy of products

OPPORTUNITIES

- > Explore new delivery channels to enhance the offering
- > Develop new and relevant qualifications to cater for an ever changing job market

RISKS

- > An ever evolving regulatory environment has the potential to increase the cost and slow down the development and the introduction of new education material to the market

MITIGATION ACTIONS

- > Through integrated planning and contingency management, we are able to respond accordingly
- > Proactive stakeholder management enables us to nurture working relationships with regulatory authorities
- > Staying abreast of the skills demand and trends in the employment market, allows us to develop relevant education programmes
- > Continue to explore gaps in the market

Read more in the schools divisional review

OUR PERFORMANCE *against strategic objectives, risks and opportunities continued*

Read more about our targets in the Remuneration committee report

STRATEGIC OBJECTIVE



INNOVATION *continued*

PERFORMANCE AGAINST OBJECTIVES

ACTIVITIES

- > Restructured schools head office to improve business delivery
- > Migration, standardisation and alignment of support functions such as transactional finance, technology, HR and facilities management
- > The implementation of the student information system in the schools division, to improve operations, reporting and data tracking
- > Implemented our Cloud roadmap resulting in reduced physical IT infrastructure
- > Invested in networking ecosystems consisting of the networks and WIFI supporting it, as well as the employees, customers and innovators connected by it
- > Implementing the necessary technology and systems
- > Investment in software to proactively scan the group network and systems for potential vulnerabilities in web facing applications
- > Introducing Internet of things through the implementation of smart metering providing the data visibility and control needed across multiple campuses
- > Implementing collaboration and communication channels (Skype, Hip, e-mail, MS Teams, SharePoint, WIFI, infrastructure)

PERFORMANCE OUTCOMES

- > Shared services and operational transformation is in progress, assisted by investment in technology and systems
- > Improved efficiencies by lowering the cost base of operations whilst also improving internal controls
- > Greater operational efficiencies to drive improved administration and support service delivery
- > Migrated and consolidated a variety of legacy systems including acquired systems and data to a single system and source of information
- > Support functions successfully transitioned or in progress to shared services:
 - HR administration (schools division)
 - Payroll management
 - Travel management
 - Debtors management
 - Transactional finance
- > Empower employees by providing a smart, flexible and secure workplace

KEY CHALLENGES

- > Business readiness to adopt a 'new way of working'
- > Effectiveness of change management interventions to articulate the reason and implication of change
- > Internal employee awareness and implementation of ICT security protocols

OPPORTUNITIES

- > Opportunity to standardise and strengthen processes and policies
- > Improve systems further, in order to drive efficiencies while supported by technology

Perf against strategic objectives *continued*

RISKS

- > Limited adoption of standard business processes and policies
- > Impact of change on operational functions and employees
- > Increased impact of a cybersecurity breach risk

MITIGATION ACTIONS

- > Improve and strengthen processes, authorisations and protocols
- > Regular and concise communication to affected employees will increase the levels of adoption and compliance
- > Business process training to affected employees will drive understanding and improve adoption
- > Benchmark processes against best practices and design the shared services accordingly
- > Simplify and standardise processes to reduce complexity
- > Conduct regular communication initiatives to proactively increase the levels of adoption and compliance
- > Perform annual ICT penetration tests focusing on external and internal vulnerabilities
- > Implement international best practice ICT frameworks for compliance and regular improvements.

Read more about group shared services in the CEO report

OUR PERFORMANCE *against strategic objectives, risks and opportunities continued*

Read more about our targets in the Remuneration committee report

STRATEGIC OBJECTIVE



HUMAN & CAPITAL PRODUCTIVITY

1. SKILLS DEVELOPMENT

Empowering employees with skills relevant to their current roles and future career aspirations.

PERFORMANCE AGAINST OBJECTIVES

ACTIVITIES

- > Upskill and develop potential and new managers
- > Developed and implemented new Principal Development Programme (PDP)
- > Implemented talent reviews to identify key talent and critical skills in the group
- > Identify capabilities required for critical roles

PERFORMANCE OUTCOMES

- > R17 Million spent on employee training and conferences
- > 166 Employees participated in, and were upskilled in, development programmes:
 - 109 Management development toolkit participants
 - 19 Management Development Programme (MDP) attendees
 - 18 Leaders attended the Leadership Development Programme (LDP)
 - 20 Principals and deputy principals attended the new PDP
- > Teacher training bursaries
 - 12 active bursary recipients at year-end
 - Two bursary graduates placed within ADVTECH schools

KEY CHALLENGES

- > Staff retention remains an ongoing challenge to ensure that we benefit fully from our employees' development programmes

OPPORTUNITIES

- > Improve succession planning
- > Improve employee development programmes
- > Improved retention prospects of top performing staff

RISKS

- > Increasing operational pressure may limit employees' opportunities to participate in skills development programmes and apply skills

MITIGATION ACTIONS

- > Annual planning and prioritisation underpins the successful development of key skills in our employees so that we are able to deploy the right people with the right skills to do the right work
- > Employment value proposition to increase employment retention rates
- > A detailed employment equity plan has been submitted with defined targets aligned to the amended Codes of Good Practice for Broad-Based Black Economic Empowerment (B-BBEE)
- > Tracking of key talent and concerted development plans put in place
- > Performance management as a measure to reward performance
- > Continue strengthening EE tracking and creation of an inclusive culture

Read more about our investment in our people

OUR PERFORMANCE *against strategic objectives, risks and opportunities continued*

Read more about our targets in the Remuneration committee report

STRATEGIC OBJECTIVE



HUMAN & CAPITAL PRODUCTIVITY *continued*

2. EMPLOYEE VALUE PROPOSITION

To create the conditions to attract critical skills and retain high performance.

PERFORMANCE AGAINST OBJECTIVES

ACTIVITIES

- > Strong focus on building a competitive employee value proposition to ensure that we attract and retain the best people available
- > Regular evaluation and feedback with management and employees
- > Regular measurement against recognised and appropriate benchmarks
- > Employees participated in an internal cultural survey in 2017 with feedback implemented during 2018. The surveys will be conducted bi-annually with the next one taking place in 2019
- > Active communication with staff to contribute, raise issues and suggest further improvements
- > EE committees in place and continuously tracking targets. Gaps for improvement identified and being addressed and awareness campaigns put in place

PERFORMANCE OUTCOMES

- > Our staff turnover numbers are in line with industry norms
- > 459 employees received a long service award
- > Improved transformation and EE staff profile
- > Performance based increases and bonuses are awarded annually
- > Further work was done during the year to update policies relevant to creating a culture of diversity

RISKS

- > A risk exists of not attracting or retaining key skills in a competitive marketplace if our employee value proposition is not sufficiently compelling

MITIGATION ACTIONS

- > Identification of critical skills and offering of career growth opportunities for best performers
- > Creation of an inclusive culture and ensure EE committees are functioning optimally to address issues as they arise
- > Implementation of relevant programmes and policies
- > We have defined targets aligned to the amended Codes of Good Practice for Broad-Based Black Economic Empowerment (B-BBEE)
- > The group has been making ongoing progress in improving its B-BBEE scores

KEY CHALLENGES

- > Continue the creation of an inclusive culture where best talent thrives and is retained
- > Ensure a performance management culture

OPPORTUNITIES

- > Attract the best staff by being an employer of choice

OUR PERFORMANCE *against strategic objectives, risks and opportunities continued*

Read more about our targets in the Remuneration committee report

STRATEGIC OBJECTIVE



HUMAN & CAPITAL PRODUCTIVITY *continued*

3. GRADUATE PLACEMENT

Actively ensuring that our academic offerings have 'real world' application and that students are immediately employable.

PERFORMANCE AGAINST OBJECTIVES

ACTIVITIES

- > GEP and employability toolkit enables graduates to find employment
- > Vega facilitation of internships and applied work experience regularly leads to employment of our graduates
- > Capsicum and The Private Hotel School facilitation of internships for work experience modules often leads to employment of our graduates

PERFORMANCE OUTCOMES

- > 43 067 IIE graduates since 2005 of which 71% were employed within six months of graduation
- > Vega achieved a graduate placement rate of 95%
- > Most of The Private Hotel School and Capsicum graduates were employed after graduation

KEY CHALLENGES

- > Low levels of economic growth continue to impact levels of employment and may reduce our ability to successfully place graduates

OPPORTUNITIES

- > Grow and expand business partnerships in order to place more graduates

RISKS

- > Shrinking market may limit our ability to assist graduates in finding employment

MITIGATION ACTIONS

- > By working proactively through business partnerships, we are able to understand business needs and channel key skills
- > Through the GEP and internships, we have created long-standing relationships with employers, providing employment opportunities for our graduates

Read more in the tertiary divisional review

OUR PERFORMANCE *against strategic objectives, risks and opportunities* continued

Read more about our targets in the Remuneration committee report

STRATEGIC OBJECTIVE



CAPITAL PRODUCTIVITY

RETURN ON INVESTMENT

Identifying the most appropriate investment opportunities and leveraging the associated benefits while protecting and enhancing the respective assets for the best returns.

PERFORMANCE AGAINST OBJECTIVES

ACTIVITIES

- > Extended the tertiary teaching day, week and improved timetables
- > Leveraged funds employed by increasing and extending banking facilities at a reduced cost
- > Implemented a standardised and improved due diligence methodology
- > Approved a targeted asset and facilities maintenance strategy in order to reduce total cost of ownership
- > Revamped aging facilities to improve the look and feel of our offerings in order to create a more compelling customer proposition
- > Ongoing assessment of suitable opportunities in South Africa as well as the rest of Africa

PERFORMANCE OUTCOMES

- > Redirected investment to existing facilities to improve the return on these assets
- > To facilitate growth, new campuses were acquired and increased capacity on existing campuses was developed
- > The measured roll-out of our expansion plan continues
- > Capex spend of R555.5 million

KEY CHALLENGES

- > An inability to effectively track the benefits and realise the anticipated business case
- > Unproductive use of capital where investments are made and are not performing in line with expectations

OPPORTUNITIES

- > Explore opportunities to lower the total cost of ownership of our facilities

RISKS

- > Unable to accurately assess the opportunity costs associated with an investment
- > Not achieving the desirable internal rate of return

MITIGATION ACTIONS

- > Applying key financial measures, such as return on funds employed and internal rate of return, assist us to assess the feasibility of potential investments
- > Return on funds employed is measured and assessed on a regular basis
- > To ensure the projects are on track, post-capex reviews are preferred and where results show they are not meeting target, corrective actions are put in place. These also provide us with lessons learnt for future projects to reduce the risk and enhance the returns
- > By using the appropriate levels of borrowings, we leverage improved returns for our shareholders

Read more in the FD's report





CHAIRMAN'S *letter*

The need and demand for quality private education continues to grow in South Africa and the rest of Africa. Through our medium-to-long term strategy, ADvTECH is not only capitalising on this demand by providing the highest quality of education, but we have also positioned ourselves for future growth, despite the well-known challenges facing businesses in today's macro-economic environment.

We are encouraged by President Ramaphosa's focus on education in the most recent State of the Nation speech where he said, "we must undertake the following tasks: Secondly, our history demands that we should improve the education system and develop the skills that we need now and into the future". At ADvTECH, we believe that this augurs well for improved relationships between business, government, labour and civil society going forward. In particular, we are hopeful that the private education sector may in future be able to cooperate more closely with government, and that its ability to add value to all South Africans, by contributing to improvement in the education system as a whole, while also enabling greater access to quality education, will be recognised and the opportunity to work together for the greater good grasped. At the tertiary level, the appointment of Dr Naledi Pandor as minister of Higher Education and Training is seen in a positive light and ADvTECH looks forward to constructive engagement with the Minister and her team.

While the assurances by President Cyril Ramaphosa during his State of the Nation address last year, of an economic "new dawn", have yet to be meaningfully realised, we welcome the promise that the country will intensify efforts to improve the ease of doing business in the country, and to attract R1.3 trillion in investment over the next five years. Of significance is the establishment by the President of a Commission of Enquiry into State Capture, which has the potential to address and turn around those practices both in the public and private sector which have hampered economic growth for most of the past decade, and have caused concern on the part of local and foreign investors.

CHRIS BOULLE

ADvTECH has always believed that our core business, education, will be the enabler of Africa's prosperity and success because it equips our students, as future leaders, with the skills required to grow the economy. We are renowned for our commitment to academic excellence and we have become increasingly alive to our role in contributing meaningfully towards the attainment of inclusive growth in South Africa and throughout the rest of Africa through education and human capital development. In our quest to enrich more people's lives and prospects, we will continue to increase our more affordable offerings at school and tertiary level. This, combined with our strategy to increase our resourcing division's joint venture partnerships in the rest of Africa and our continued expansion into Africa as outlined in the CEO's report, means our position as the leader in quality private education and resourcing services remains unrivalled, and that our growth trajectory remains intact.

Despite the financial pressure on South African consumers, the effects of emigration and the tough operating environment in the period under review, we successfully executed our strategy, adjusting it where necessary and maintained our upward growth path as reflected in the market-related investment return to our shareholders.

The R3 billion expansion plan approved by the board in 2017 continues to be rolled out on a prudent basis having regard to the financial pressures referred to above. Additional opportunities, such as the acquisition of Monash South Africa and the acquisition and roll out of schools in Kenya, continue to be evaluated and, if appropriate, implemented.

The resourcing division, despite adverse economic conditions, managed to grow its market share locally. In the rest of Africa, the division showed excellent growth, resulting in both revenue and operating profit increasing.

On behalf of the board of directors, I would like to thank the valued and loyal employees of the group for their commitment, contribution and dedication in delivering the highest standards of excellence to all our stakeholders. Our people, who uphold the reputation of ADvTECH and our commitment to quality, are integral to our success. We would also like to express our appreciation to the CEO and the executive committee for the essential role they play in ensuring that our strategy is successfully executed throughout the group. We further acknowledge that none of our continued success would be possible without the foundations established by those who have come before us.

We welcomed a new board member, Jens Zimmermann, in April 2018. All board members are committed to remaining accountable to our stakeholders through transparent lines of communication and informed decisions. Our common goal is to ensure the long-term success and sustainability of the ADvTECH group, and making a real difference to the communities and countries in which we operate.

I wish to thank my colleagues on the board for their invaluable input, advice and support throughout the year, and facing head-on and resolutely the challenges associated with a business the size and scale of ours, operating under often difficult circumstances.

Finally, I wish to thank all our stakeholders for their continued support and engagement.

Sincerely



Chris Boule
Chairman

 [Read more about the board](#)



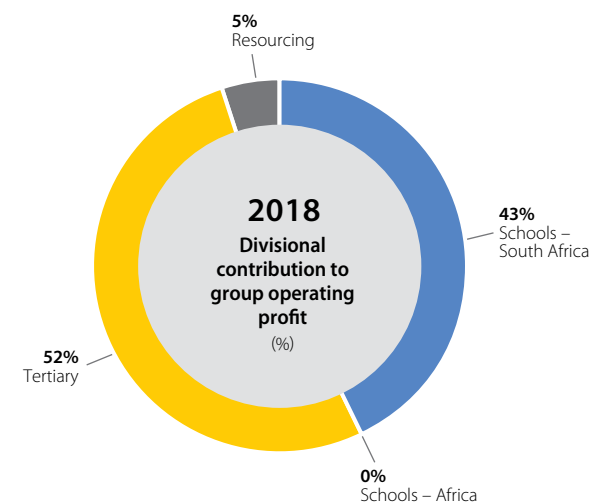
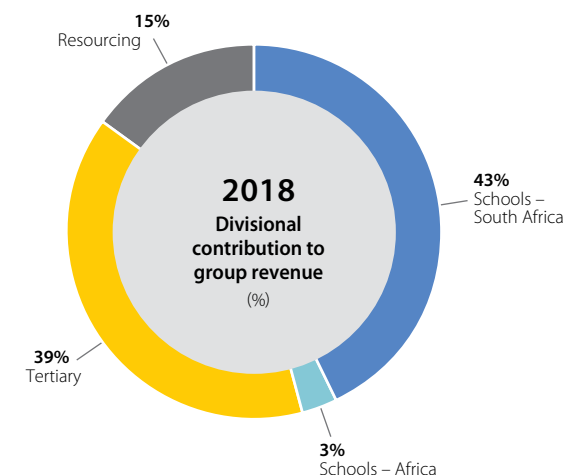
CEO'S *report*

Our commitment to academic excellence is at the heart of our business and we place great emphasis on this as we strive to deliver value to our stakeholders by staying at the forefront of developments in education, training and placements.

Despite the very difficult economic environment, our financial results continue the strong momentum the group has shown over the last few years and, notwithstanding the operating circumstances, we believe we have delivered a very credible set of results. Group revenue increased by **11%** while operating profit is up by **14%**.

ROY DOUGLAS

CEO's
report
continued



Refer to the segmental report for more information

CEO'S *report continued*

The tertiary and resourcing divisions once again performed exceptionally well and the schools division increased its scale significantly. After a period of significant expansion we are now in a phase of integration, rationalisation and consolidation.

The high rate of emigration continues to have an adverse impact on our student numbers in the schools division. There is no doubt that the South African consumer is under significant financial pressure and the average South African has become poorer over the past few years.

However, there are encouraging signs in our portfolio as we realign ourselves to seek out and take advantage of the best opportunities for growth. We have explored a number of these prospects and they have positioned us well as we look towards the future. These include our development of the Pinnacle mid-fee brand and our expansion into the rest of Africa.

We remain the leader in the premium schools education sector. In addition to academic excellence, the common thread in all our schools is the commitment to offering our consumers value.

The past year has been a time of consolidation after a period of acquisitions and we have used this opportunity to rationalise and restructure the schools division. The restructuring and reallocation of resources has resulted in a more efficient and streamlined division and this ensures that ADvTECH will continue to deliver quality education to students.

We have continued to show good student enrolment growth despite headwinds experienced by the schools division. Underlying gross enrolments show that there is strong demand for our brands even though net enrolments were adversely affected by emigration and financial hardship.

The tertiary division, on the back of good organic growth, delivered an excellent operating profit and sound operational performance. The brands are ideally positioned, the teams efficiently structured and the systems and processes are robust.

Recognising that the local placement market would remain difficult, the resourcing division has successfully explored alternative markets and geographies to pursue growth and profit opportunities.

SCHOOLS DIVISION

The opening of Crawford International in Kenya in September 2018 was among the highlights of the year. It is our first greenfield development outside South Africa and the enrolment numbers have exceeded expectations.

The acquisition of Makini schools in Kenya with campuses in Nairobi and Kisumu indicates the significant progress made in our strategy of expansion into the rest of Africa.

The mid-fee sector has been a success and continues to experience excellent growth. We have established a new brand, Pinnacle Colleges, to replace the ADvTECH Academies brand. The first Pinnacle Colleges are Kathstan College, now Pinnacle College Rynfield (which no longer offers a remedial element), Summit College, repositioned as Pinnacle College Kyalami, Pinnacle College Founders Hill and Pinnacle College Copperleaf.

The Bridge Assisted Learning school launched in 2018, is successfully filling a gap in the market. Abbotts College moved to new better suited premises in Centurion in 2019.

The past year has been a time of integration and consolidation following a four-year acquisitive period in which we acquired 49 schools, increasing our total number of schools to 103. This significant growth has doubled the size of the division. We have embarked on a process of rationalisation and have restructured the divisional systems and processes so that they are better suited to the increased scale of the business. This was extended to the reorganisation of the management structure and support functions of the schools division.

With rapid acquisitive expansion, we had to ensure that academic standards and teaching practices at all schools were in line with ADvTECH's core strategic objective of delivering academic excellence. To bolster academic excellence further, ongoing individual student progress is supported by continual analysis of student performance data that enables us to implement a personalised learning pathway for each student.

 [Read more about our academic excellence](#)

While curricula followed comply with regulatory requirements, our schools are benchmarked, both internally and internationally and all schools have now adopted a future focused education that encompasses global competencies, digital literacy and global citizenship. Proof of the success of this methodology has been seen at both the acquired Centurus Colleges and Maragon schools where academic results, and specifically matric results, have shown consistent improvement.

Excellent academic results were achieved in 2018. Our consistently exemplary matric results are clear proof that we continue to offer the highest standard in education.

 [Read more in the schools division review](#)

We have critically reviewed and re-evaluated our school's division brand portfolio, as well as each individual school, with the purpose of delivering value to the consumer within a meaningful market proposition.

Among the many changes implemented, we have closed the underperforming Trinityhouse Palm Lakes High School in KwaZulu Natal. This tough, but necessary, decision is an example of our efforts to return the division to its previous high performing status.

As a result of the acquisitions, more than 1 500 employees are being transitioned into ADvTECH. This includes a time consuming and complex process of reviewing packages and benefits and issuing the transitioned employees with new contracts whilst ensuring compliance with regulations.

Innovation is one of our strategic imperatives and we seek to incorporate this at a high level across all sectors, including innovation for business processes and administration. Our goal is to become a significantly more data-driven organisation enabling us to tap into information to make better informed business decisions across the group.

Integration, consolidation and rationalisation is being undertaken to streamline administration and reduce unnecessary overheads. New systems have been implemented to replace the variety of legacy systems.

CEO'S *report continued*

Implementing a single standardised consolidated system for each business unit (HR, ICT, finance and student information) will give us the additional advantage of being able to analyse and make data-supported decisions.

The division's revenue increased by 15% to R2 009 million (2017: R1 742 million), representing 46% of group revenue. Operating profit for South African schools increased by 5% to R330 million (2017: R315 million) while the operating profit from schools in the rest of Africa declined due to the costs incurred ahead of the opening of Crawford International School in Nairobi, Kenya, and as they go through the j-curve.

The table below illustrates the enrolment growth in the last three years and highlights the continued growth in 2019.

Group enrolments end February

	2016	2017	2018	%	2019	%
Schools	24 199	26 713	27 408	3%	30 827	12%
Tertiary: Full qualifications	29 138	33 463	36 136	8%	39 629	10%
Total	53 337	60 176	63 544	6%	70 456	11%

TERTIARY DIVISION

The tertiary division continued to show excellent growth with revenue increasing by 10% to R1 719 million (2017: R1 556 million), contributing 39% of group revenue. The operating margin increased on the back of operational leverage from strong volume growth, resulting in operating profit increasing by 23% to R395 million (2017: R321 million).

The Independent Institute of Education (IIE), ADvTECH's higher education division, continued its notable performance in the private higher education sector and remains optimally positioned for future

growth, building on its 14-year legacy of student success. The IIE has continued to meet the stipulated standards to take its rightful place beside public universities and is aligned with international best practice having produced, with 43 067 graduates of whom 71% were employed within six months of graduating.

Although private higher education institutions may not yet call themselves private universities, a recent court judgment in favour of the IIE's Varsity College confirmed that registered and accredited institutions and qualifications are equivalent to public university offerings. This is a landmark development for the country's higher education sector as a whole, and ADvTECH in particular.

The IIE is the largest private higher education provider/ "private university" in South Africa with the most comprehensive investment in curricular development and academic leadership. The IIE is central to our commitment to academic excellence and is responsible for ensuring that our qualifications remain relevant and that they bridge the gap between the curriculum and the constantly evolving workplace.

All our tertiary brands provide an exceptional and contemporary learning experience aligned to the expectations of our students, industry, commerce and employers.

Contact programmes are delivered at state-of-the-art campuses where class sizes are smaller than traditional universities. Our innovative teaching methodologies, together with a personalised learning and student support experience, result in increased student success. Practical components include our work-focused programmes and simulated work experiences. This means that our students are well prepared for employment beyond theoretical knowledge. These are among the reasons for ADvTECH's reputation for academic excellence, quality and international recognition.

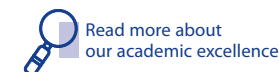
The tertiary division at year end offers 201 accredited courses, with a diverse range of offerings including vocational skills training, national certificates and diplomas (N1-N6), higher certificates, diplomas, advanced diplomas, degrees, honours degrees and masters degrees.

Three new campuses opened during 2018, including two digitally enabled Rosebank College Connected sites in Pietermaritzburg and Bloemfontein. A new combined campus in Johannesburg for Capsicum Culinary Studio and The Private Hotel School includes state-of-the-art facilities such as conference facilities and a restaurant serviced by our students. This increases our presence in the burgeoning hotel, hospitality and culinary sectors and offers a secure foundation from which to develop expansion plans.

The Rosebank College portfolio consists of mega campuses in Johannesburg, Pretoria and Durban with a mega campus in the pipeline for Cape Town in 2020. In provincial nodes, the successful blended learning, digitally enabled Rosebank College Connected campuses, which are producing outstanding academic results, are being implemented. There are now three of these successful campuses and additional campuses are planned for the near future.

A major acquisition announced in 2018 was Monash South Africa (MSA). We have now obtained regulatory approval and the acquisition was effective from 1 April 2019. MSA's reputation for academic ethos and excellence provides a perfect match with the ADvTECH tertiary brands as we continue to consolidate our position in the tertiary education sector. The MSA campus is one of the largest private higher education precincts in the country. With a capacity of 6 500 students, it boasts extensive education facilities which include laboratories, sport facilities and four student residences.

In addition, MSA has a comprehensive suite of premium programmes which will bring our tertiary qualification suite to 233 accredited courses and our higher education student complement to more than 43 000 students, cementing ADvTECH's leadership position as SA's largest private higher education provider/ "private university".



Private higher education grew significantly between 2011 and 2016 and we believe that we are part of the solution to the education crisis in South Africa. A strong public sector education system is critical from a nation's perspective whilst we can play a very active role in helping to solve the education crisis. We hope policy will become more inclusive in the role the private sector can play, but in any event, market pressures are ensuring that the opportunity is there for us.



CEO'S *report continued*



Read more about
the resourcing
division

RESOURCING DIVISION

The resourcing division's outstanding performance is attributed to the success of their strategy to enter alternative and aligned markets outside of South Africa, where we have experienced significant growth. It continues to be highly cash-generative. The division deserves credit for optimising their business in a tough market and positioning themselves for the future.

Notwithstanding the tough market conditions in South Africa, the division increased market share and successfully placed 4 608 candidates (2017: 3 755). The increase in revenue of 4% to R670 million (2017: R644 million) was impacted by the mix of a greater number of lower value but higher margin sales which resulted in operating profit increasing by 22% to R39 million (2017: R32 million).

OUR PEOPLE

Our ability to attract and retain skills is key to our success and we continue to make considerable investments in our people. Our integrated management development programmes aim to train and develop our employees, and to enhance our existing succession planning in preparation for organisational and structural changes. Our programme includes a management toolkit, coaching and mentoring programmes, a management development programme (MDP) to develop current and future management, and leadership development masterclasses.

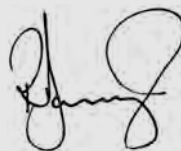
With the growth and structural changes in the schools division, we seek to enhance our offering through a specialised principal development programme (PDP) piloted for 20 principals and deputy principals. The primary focus of the PDP is on the principal as the leader and custodian of a culture of customer-centricity at our schools. The programme will be evaluated and modified in 2019 with three cohorts of 24 participants each planned.

The results of a cultural survey conducted in 2017 were very positive and indicated there is support for our approach to the shaping of the organisational culture and transformation. A similar assessment will be undertaken in 2019 in order to measure the results of our efforts for constant improvements.

PROSPECTS

We continue to see numerous opportunities, both in South Africa and the rest of the continent, and the group remains in a uniquely strong position to pursue its growth strategy.

Our tertiary and resourcing divisions are well positioned and continue to perform strongly. Having significantly increased the scale of our schools division over the past four years, we have now entered a phase of integration, consolidation and rationalisation and we are confident this will drive operational efficiency and sharpen market focus.



Roy Douglas

Group chief executive officer

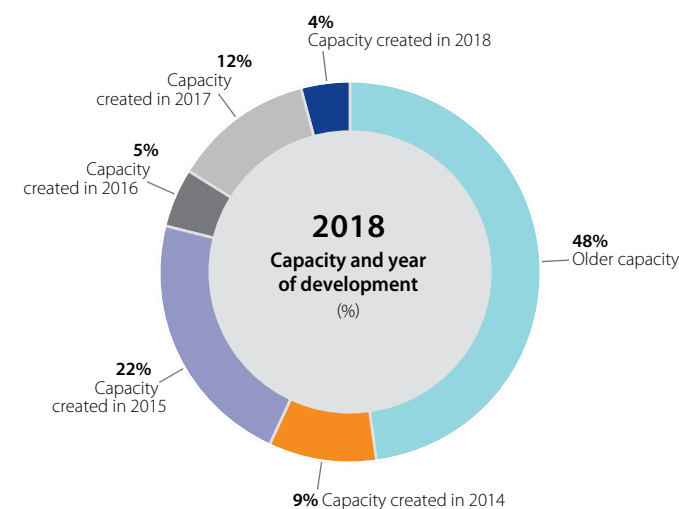
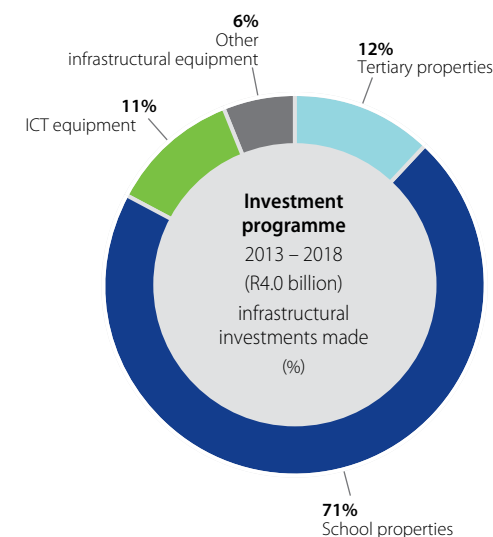


FINANCIAL DIRECTOR'S *report*

The ADvTECH group achieved pleasing trading results for the year ended 31 December 2018 and continued its consistent trend of strong performance in line with the growth strategy.

This is demonstrated by revenue increasing from **R1.9 billion to R4.4 billion** and operating profit before non-trading items increasing from **R256 million to R763 million** over the last five years, a compound annual growth rate of **19%** and **24%** respectively, resulting in a marked increase in the scale of the group.

DIDIER OESCH



FINANCIAL DIRECTOR'S *report continued*

SUMMARISED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2018

R'm	Percentage increase	Audited 31 December 2018	Restated# Audited 31 December 2017
Revenue	11%	4 389.0	3 937.7
Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA)	14%	942.1	823.3
Operating profit before interest and non-trading items	14%	762.7	668.0
Non-trading items		(37.5)	(31.1)
Net finance costs		(132.7)	(99.1)
Interest earned		3.7	3.9
Finance costs incurred		(136.4)	(103.0)
Profit before taxation	10%	592.5	537.8
Taxation		(185.0)	(160.1)
Profit for the year	8%	407.5	377.7

* The restatement relates to the adoption of IFRS 15. Refer to note 4 of the consolidated annual financial statements.

REVIEW OF GROUP TRADING RESULTS

Revenue growth of 11% to R4.4 billion (2017: R3.9 billion) resulted from growth in all divisions. While the schools division's organic growth was somewhat muted as enrolments at some of our premium brands were impacted by financial pressures on families and the effects of emigration, revenue still increased by 15% to R2.0 billion mainly as a result of acquisitions and good growth in the mid-fee sector. The tertiary division continued its trend of excellent organic growth, resulting in revenue increasing by 10% to R1.7 billion. The increase in revenue in the resourcing division of 4% to R670 million was impacted by the mix of a greater number of lower value but higher margin placements.

The strong revenue growth enabled the group to increase operating profit by 14% to R763 million (2017: R668 million) resulting in operating margins improving from 17.0% to 17.4%. The operating profit for South African schools increased by 5% to R330 million while operating profit from schools in the rest of Africa declined due to the costs incurred ahead of the opening of Crawford International School in Nairobi, Kenya, and as it moves through the j-curve. The tertiary division increased operating profit by 23% to R395 million and operating margins from 21% to 23% on the back of operational leverage from strong volume growth. The resourcing division improved operating profit by 22% to R39 million and improved operating margins from 5% to 6%. The division remains highly cash generative.

The higher average net borrowings, resulting from the significant capital expenditure incurred, together with the acquisition of the Makini Schools group (Makini), led to an increase in financing costs. The taxation rate increased due to the non-deductibility of the non-trading items. Profit for the year increased by 8% with normalised earnings per share also increasing by 8% to 81.1 cents (2017: 75.3 cents).

 [Read more in the schools divisional review](#)

NON-TRADING ITEMS

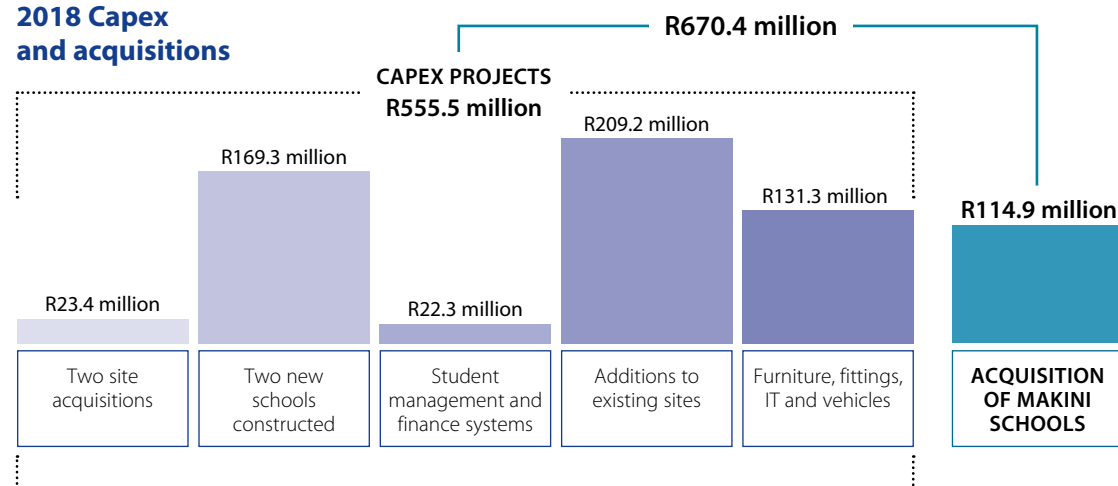
Non-trading items consisted mainly of the settlement of the contingent consideration relating to the Maramedia acquisition. As reported in the interim results, the audited financial statements used to determine the additional consideration payable, indicated that the profit target was not achieved and therefore the fair value of the contingent consideration was determined to be nil. However, this was successfully disputed by the vendors. The consideration has now been settled and as the adjustment to the contingent consideration falls outside the measurement period as defined by IFRS 3 Business Combinations, it is required to be recognised in the summarised consolidated statement of profit and loss.

FINANCIAL DIRECTOR'S *report continued*

INVESTMENTS

The group's commitment to achieving its strategic goal of ambitious yet considered growth led to an investment of R670 million in capital expenditure and acquisitions. The elements that constitute the major activities in the group's investment programme are summarised alongside and below.

2018 Capex and acquisitions



The main components of the capital expenditure programme were two site acquisitions (Irene and Raslouw), two new schools (The Bridge and Crawford International) and expansions at existing sites.

Schools capacity at the end of February

	2015	2016	2017	2018	2019
Students enrolled ('000)	22.9	24.2	26.7	27.4	30.8
Existing building capacity ('000)	26.9	28.6	31.2	33.0	38.2
% Existing building capacity utilised	85%	85%	86%	83%	81%

Through acquisitions and capital expenditure, the capacity of the schools division increased by 16% and we are now able to accommodate 38 200 students. Capacity on existing sites can be increased to accommodate a further 14 200 students while land banked sites will be developed to create capacity for an additional 10 000 students. Plans are in place to roll out the development of this capacity over approximately eight to ten years. In addition, the group continues to seek both greenfield and acquisition opportunities to expand or complement its offering.

FINANCIAL DIRECTOR'S *report continued*



WORKING CAPITAL AND CASH FLOW

The group has an inherently negative working capital model due to fees being payable in advance, while most costs are payable in arrears. Negative working capital amounted to R443 million at year-end (2017: R468 million) with the decrease compared to last year mainly due to lower fees received in advance and deposits. Trade receivables continue to be well managed.

The decrease in fees received in advance and deposits was due to a greater proportion of parents selecting the monthly payment terms as opposed to the upfront payment option as well as parents delaying payment until after year-end, but still within the agreed payment terms. Receipts after year-end have been significantly higher than in the previous year as would be expected with the change in the payment options chosen and payment patterns.

Free operating cash flow before capex declined by 4% to R563 million as a result of the lower level of fees received in advance and deposits. Cash conversion nevertheless amounted to 138% of profit for the year. Cash generated by operating activities increased by 4% to R879 million and this, together with financing inflows of R590 million, enabled the payments of investments and capex of R658 million, financing costs of R139 million, taxation of R202 million and dividends of R191 million.

CAPITAL STRUCTURE TO SUPPORT THE ACCELERATED INVESTMENT PROGRAMME

During the year, and following the conclusion of the acquisition of Monash South Africa, which was still conditional at year-end, and taking into account the significant investment opportunities the group wishes to explore, new long-term funding agreements for facilities totalling R2.85 billion were entered into to replace the existing facilities of R1.6 billion. These increased facilities are expected to provide sufficient funding for the roll-out of the planned investment programme while still allowing for headroom against the covenants.

Net borrowings increased to R1.9 billion (2017: R1.6 billion) due to the funding required for capex and to settle the purchase consideration of acquisitions exceeding the net cash inflows from operating activities. The group remains well within its covenants at year-end, with net borrowings equating to approximately 2.0 times (2017: 2.0 times) EBITDA, while gearing increased to 60% (2017: 56%).

The group's inherently strong organic cash flow, which is expected to increase in line with earnings growth, together with the funding facilities in place, positions the group well to fund its future investment programme and enables it to consider significant additional growth opportunities.

DIVIDENDS

In determining the level of dividend, the directors have considered the significant investment opportunities available to the group and the associated capital expenditure required that the group considers additional cash preserving measures. This has previously been signalled by the board with a steady increase in dividend cover in recent reporting periods. Capital commitments amount to R1.9 billion, inclusive of the purchase consideration for the acquisition of Monash South Africa, and will largely be funded by way of additional debt. Taking these commitments into account, together with the continuing challenging economic environment, the board has decided it would be prudent and responsible to further preserve cash and have therefore reduced the dividend pay-out during this high capital investment period.

The group has declared a final dividend of 15.0 cents (2017: 19.0 cents) per ordinary share in respect of the year ended 31 December 2018, which together with the interim dividend of 15.0 cents (2017: 15.0 cents) per share brings the total dividend for the year under review to 30.0 cents (2017: 34.0 cents) per share. The dividend pay-out ratio has increased to 2.7 times (2017: 2.2 times) relative to normalised earnings.

With the continuing investment programme, which is expected to remain at elevated levels going forward, dividend cover is likely to be increased further in the years ahead as the group looks to preserve cash to fund this programme.

APPRECIATION

I would like to thank our shareholders and funders who have provided the means and support for us to carry out our expansion programme.

I would also like to thank the financial staff across all our divisions in the group for their commitment to accurate and relevant financial reporting. Your diligence and commitment is critical to our ability to provide high quality information that informs the decision-making of management, the board and our stakeholders.



Didier Oesch
Group Financial Director

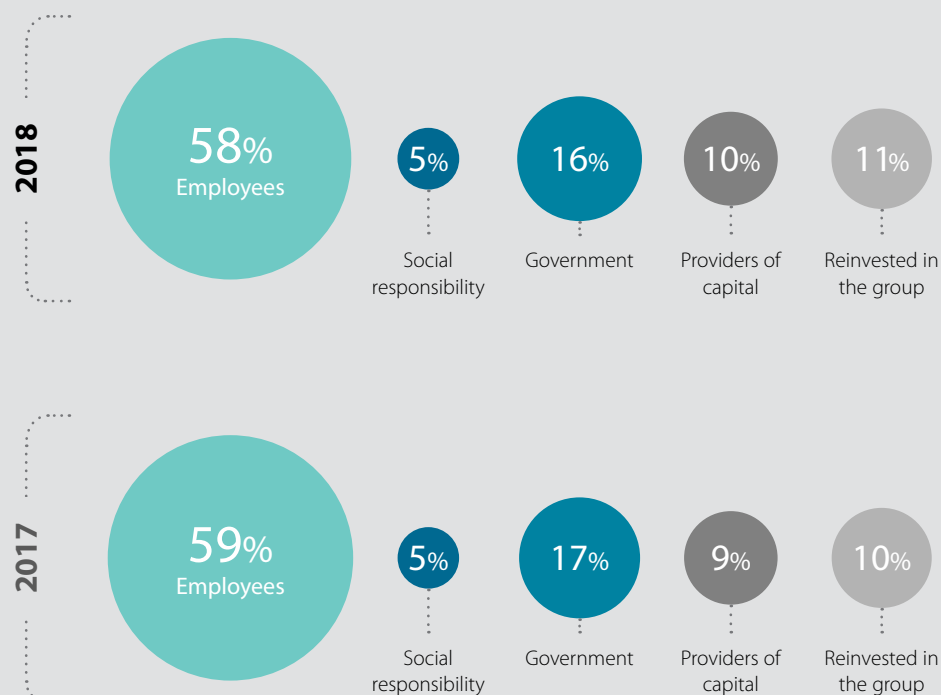
 [View the annual financial statements](#)



VALUE ADDED *statement*

for the year ended 31 December 2018

VALUE DISTRIBUTION (%)



Value added

Revenue (net of bursaries and discounts)	4 389.0	3 937.7
Bursaries and discounts	179.5	146.0
Interest received	3.7	3.9
Cost of providing services	(1 090.0)	(995.5)
	3 482.2	3 092.1

Value distribution

Employees

Net benefits paid to employees	2 018.6	1 814.7
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Social responsibility

Corporate social investment and bursaries	179.5	146.0
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Government

Government taxes	186.9	162.3
Net VAT paid	53.4	44.2
PAYE	327.6	309.2

Providers of capital

Finance costs	136.4	103.0
Distributions to shareholders	190.5	186.7

Reinvested in the group

Retained to sustain and grow the group	389.3	326.0
	3 482.2	3 092.1



EXECUTIVE *committee*



ROY DOUGLAS

*Executive director,
Group chief executive officer*

**BSocSci (Economics), UKZN,
MBA (UCT)**

Joined ADvTECH in December
2012



DIDIER OESCH

*Executive director,
Group financial director*

BCompt (Hons) UNISA, CA(SA)

Joined ADvTECH in August 2005



MIKE AITKEN

*Chief executive officer,
schools division*

**BCom (Rhodes), CTA, BCompt
(Hons) (UNISA), CA(SA)**

Joined ADvTECH in March 2016



FELICITY COUGHLAN (Dr)

Group academic director

**BSocSc (Social Work) Rhodes,
BSocSc (Hons) (Social Work)
Rhodes, BSocSc (Hons)
(Psychology) Rhodes, MSc
(Sociology) London, DPhil (UNISA)**

Joined ADvTECH in August 2005



LENN HONEY

*Chief executive officer,
resourcing division*

**BCom (Hons) (Business
Administration) Rhodes, MBA
(UK)**

Joined ADvTECH in January 1996



JACO LOTZ

*International business development
executive*

**BA (Theology) UP, BCom
(Accounting) UP, BA (Hons)
(Psychology) UP, BCompt (Hons)
UP, CTA (UNISA) and CA(SA)**

Joined ADvTECH in April 2007



SIZA MAJOLA (Dr)

Group HR executive

**BSc (Geology and GIS) Fort-Hare,
BSc (Hons) (Stellenbosch), MBA
(UK), PhD (UKZN)**

Joined ADvTECH in August 2017



VONGANI MBHOKOTA

Group properties executive

**BSc (Quantity Surveying), MBA
(Project Finance) UNISA, PrCPM**

Joined ADvTECH in November 2016



STEVEN VAN ZYL

Chief information officer

**BCom (Finance and
Administration) UKZN**

Joined ADvTECH in August 2006

focus on

ACADEMIC EXCELLENCE

THE CORE OF OUR BUSINESS

ADvTECH remains Africa's leading private education provider. Academic excellence is core to our strategy and has enabled us to continue growing our market share, despite the continuing increase of new entrants into the market.

With the advantage of a strong central academic team that supports our learners, students, teachers and lecturers in differentiated brands that live out their own unique identities, we remain at the forefront of private education in the basic, higher and other tertiary education sectors.

Delivering on academic excellence is a critically important part of the group strategy, and the academic strategy is key to the schools and tertiary divisions.

Core to our strategies are:

EXCEPTIONAL TEACHING AND LEARNING

BENCHMARKING OUR PERFORMANCE against others and relative to previous years of our own performance to ensure we are living out a continual improvement ethos and can provide evidence to support our claims of excellence.

LEARNING AND OTHER ANALYTICS are used to support decision making.

INTERNATIONAL AND EMPLOYER RECOGNITION requires the ongoing building of our reputation and relationships.

Our brands are known for their high standard of quality education provided to various target markets and communities. Offerings differ per brand based on, inter alia, price, curriculum, examining authority or qualification and augmented non-academic offerings that, together, create the individual identity of the brand and campus. Regardless of the brand or programme/qualification, ADvTECH consistently delivers academic excellence and a tailored student experience, which results in the development of life and tertiary study-ready young people and qualified and competent graduates who are in high demand in the workplace, due to our industry-relevant and work-ready approach.

Read more on our strategic objectives

ACADEMIC EXCELLENCE WITHIN THE SCHOOLS DIVISION

The ADvTECH schools academic team's objective is to ensure that our students progress incrementally in a learning environment that is inspiring, engaging and challenging.

The academic focus is centred on **FOUR STRATEGIC QUADRANTS** being the **formal curricula** and performance in the related assessments; core skills as essential global competencies; digital literacy, and global citizenship.

Read more about the four quadrants

Given the critical value of excelling in demanding school-leaving examinations to the future of each of our students in our schools, strong emphasis is placed on ensuring that students are exceptionally well prepared. Ongoing individual student progress is supported by continual analysis of student performance data, which is used to promote a personalised learning pathway. Our consistently exemplary matric results, which inevitably include a notable number of distinctions, are clear indicators that we offer the highest standard in education.



Academic excellence continued

THE FOUR STRATEGIC QUADRANTS

The second of the strategic quadrants. The **global competencies** continuum aimed at ensuring that students in our schools develop global competencies. The five key areas are:

- Developing critical, creative and reflective thinking skills.
- Developing research skills and the ability to analyse and interpret information from primary and secondary sources.
- Developing strong communication skills that enable students to effectively share their opinions and collaborate with others using a variety of media and platforms.
- Developing strong interpersonal and social skills so that our students can collaborate effectively in diverse contexts.
- Developing self-management skills to empower students with organisational skills, including self-regulation, while developing a growth mindset to enable perseverance in the face of challenging and complex situations.

These global competencies are not adjunct to the formal curriculum but are embedded in teaching and learning and all curricula and co-curricular activities in our schools. The central team supports the development of teacher competence through master classes, mentorship and networking, and ensuring that the core skills are part of the school culture and mindset.



Digital literacy extends far beyond computer literacy in our digital world and is thus given particular attention. The structured and progressive curriculum includes computational thinking and programming, computer networks and productivity, and global competencies such as creativity, collaboration and communication. The current primary school programme, *Digital literacy in the primary classroom*, was developed by internationally acclaimed academic, Dr Neelam Parmar, director of e-learning for the United Learning group of schools in the UK.

In addition, various schools have introduced a hands-on 21st century technology space, which includes using and applying new age technologies such as 3D printing, laser cutting, electronics, robotics, programming and design software. The new age technology spaces provides a combination of practical learning environments addressing real-world issues, taught through collaborative problem-based learning using 21st century higher order thinking skills

and approaches. More often than not, the problems students seek to solve in the new age technology spaces are associated with the UN Sustainable Development Goals, and the approach used in the new age technology spaces includes the use of all the core skills and collaborative problem-based learning.

Read more about the UN Sustainable Development Goals and our efforts

Promoting the development of our students as aware and contributing **global citizens**. The United Nations Sustainable Development Goals 2030 are referenced to provide a framework for engaging our students with global challenges such as hunger and environmental degradation as well as global opportunities such as gender equality and diversity. The aim is to nurture positive values and behaviour and a solution-seeking mindset in our students from a young age, so that we can encourage them to embrace innovation, creativity and the ability to articulate their perspectives and contributions. These skills draw on the formal curriculum as well as the core skills and digital literacy to support the development of globally competent individuals who will make meaningful contributions to society.

This integrated approach to excellence is what makes ADvTECH schools so effective in their education offerings. Our students leave our schools with the confidence to contribute to, and find their place in 21st century learning and living.

* IEB: Independent Examinations Board
ISASA: Independent Schools Association of Southern Africa

DBE: Department of Basic Education
EYFS: Early Years Foundation Stage

SCHOOLS HIGHLIGHTS

We continually strive to improve and regard it as essential to align our offering to international standards. The integration of the International Baccalaureate and Cambridge International programmes as well as the participation in external international benchmark assessments such as the ACER (Australian Council of Education Research) are key aspects of our quality assurance. By combining local external assessments with international ones, we have ample data and a clear understanding of how our students are performing in specific learning areas, and receive continuous feedback on the success of our educational efforts in all our schools.

International recognition by Ivy League Schools

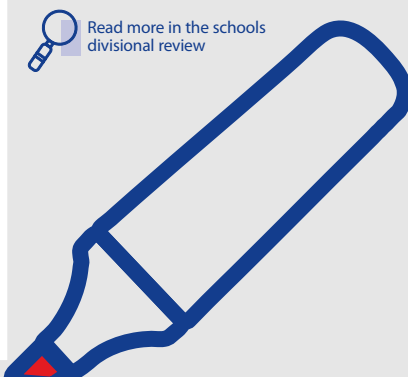
More than ten of the world's top universities, including Harvard, MIT, New York University, Columbia, Cornell and Princeton, returned to Crawford College, Sandton, in 2018 to identify top matriculants to join their programmes in 2019. In recent years, the opportunity to study at these leading universities has seen several Crawford College students excel on the global stage.

Tournament of minds

ADvTECH hosted the second Tournament of Minds (TOM) held in South Africa. TOM is an international competition, initiated in Australia and conducted in 16 different global regions. Where TOM differs from other international competitions is that the focus is not only on content and process in one discipline, but rather on problem-solving and creative thinking activities involving open-ended challenges. These include experimentation and divergent thinking, while promoting collaboration within teams to develop potential solutions. The challenges are set internationally.



Read more in the schools divisional review



TERTIARY DIVISION

ADvTECH's tertiary division continued to grow its reputation as the leading provider of high-quality private education in the country. In keeping with our commitment to academic excellence, substantial investment ensured that ADvTECH was able to grow its offering and that more students would be able to access our educational offerings, either at state-of-the-art campuses across South Africa, or through industry-leading distance education programmes. Adding to the attractiveness of workplace-focused curricula, prospective students continue to be drawn by the advantage provided through smaller class sizes and resultant personal attention, which is no longer a feature of higher education in many other institutions.

THE IIE

With an average module pass rate of 82%, 101 higher education qualifications offered through Varsity College, Vega and Rosebank College campuses, the Independent Institute of Education (IIE), ADvTECH's higher education division, continued to cement its position as South Africa's leading "private university". Our strategic decision to create one higher education provider operating through strongly differentiated brands pays off in the quality of the education offered to students.



The IIE's five faculties provide 101 accredited qualifications from higher certificate to masters' level, to almost 40 000 full qualification students. The IIE also offers numerous qualifications through

distance learning. This range and scope means that there is a perfect educational opportunity for almost every ambition. Over and above local accreditation through the statutory bodies, the IIE is also accredited by the British Accreditation Council (BAC), which

demonstrates to students and employees that the IIE's standards are indeed world-class and undoubtedly instils confidence in students about the credibility and value of their qualifications. The BAC is an independent authority in the UK that accredits private providers in the UK and elsewhere, including countries such as Greece, Switzerland, Singapore, India, Mauritius and the United Arab Emirates. Standards are also verified by several other professional and strategic partners.

The IIE's brands placed 2 339 students in their first jobs in 2018. This bears testament to the effectiveness of its approach to work readiness, which includes tailor-made preparation programmes and Career Centres on campus.

Although each brand has its own particular focus and emphasis, the IIE's success can be attributed to its unwavering commitment, on all campuses and in all programmes, to launching and building students' careers, by way of:

- innovative, student-centred teaching and learning, which includes comprehensive student support;
- a strong focus on the constructive alignment of all parts of the curricula;
- industry-relevant curricula based on established industry and academic partnerships which are verified through regular programme reviews and graduate tracking studies;
- learning opportunities that meet the diverse needs of our students, and
- structured programmes on all campuses linking students to the world of work.

The IIE is able to achieve these successes because its model enables it to draw on the skills of all its people. This rich resource offers unmatched access to academic and industry leadership, resulting in curricula and campus experiences being consciously crafted to promote student success. The academic work is coordinated by our central academic team, which boasts impressive and extensive higher education experience and a track record of supporting their qualifications and brands.

THE IIE BY THE NUMBERS

43 067
graduates
71% were
employed
within **6** months
of graduation

82%
average module
pass rate

There are more than 100 professionals in the central academic team, including academics, instructional designers, professional editors, content developers, programme managers, operations coordinators, business process analysts, business intelligence experts and research and curriculum development specialists. The result is a strong central capacity from which the expertise at the brands and on the campuses can leverage support for the creation of focused and meaningful campus experiences. In particular, for the achievement of the academic deliverables, the academic expertise at brand level is leveraged strongly to supplement the central skills and results in an effective and efficient network.

TERTIARY BY THE NUMBERS

201
accredited
courses

29
campuses*

3 000+
academic staff

40 000
registered students for
full-time qualifications*

A measure of the success of this structure is that the IIE has the only DHET accredited and peer reviewed academic journal managed by a private higher education institution. *The Independent Journal of Teaching and Learning* is in its 13th year of publication with two editions annually and is available on open access platforms.

i

ABOUT PRIVATE UNIVERSITIES

By law, private higher education institutions in South Africa may not call themselves private universities, although registered private institutions are subject to the same regulations, accreditation requirements and oversight as public universities.



NEW ACADEMIC MARKETS

Statistics have shown that the tourism sector remains one of the fastest-growing economic sectors and ADvTECH, through Capsicum Culinary Studio and The Private Hotel School (TPHS), now has comprehensive academic offerings for those who aim to pursue careers in the hospitality and tourism industry.

The highly skilled teams of professionals at TPHS and Capsicum teach both nationally and internationally accredited courses, and its qualifications and graduates are sought-after in the workplace, both locally and abroad. With eight campuses between the two brands, one of which is a shared campus, both

brands provide academic programmes which include practical training and specialised skills that equip students to succeed in the hospitality and tourism sectors.

TPHS offers qualifications ranging from entry-level qualifications up to a degree in hospitality and events management as well as culinary arts. The curriculum combines innovative and cutting-edge hospitality instruction with sound practical training and knowledge of the industry. Students are trained to master professional skills and obtain high levels of the specialised knowledge required to excel in the hospitality environment. Its qualifications are endorsed by the

American Hospitality Academy International Hotel Management Schools (AHA-IHMS), thus allowing students to complete an optional year in the USA.

The school's alumni rate of employment is a remarkable 100%, which attests to the quality of education offered and workplace recognition thereof.

In the past decade, more than 4 000 chefs have graduated from Capsicum, with many snapped up by leading local and global restaurants. Capsicum offers full-time and part-time

Read more in the tertiary division review

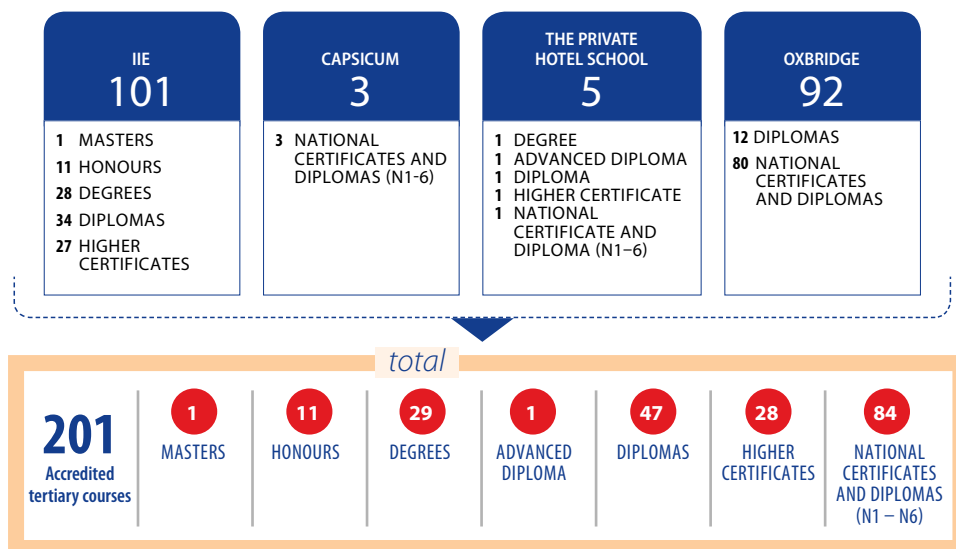
City & Guilds recognised courses including a Certificate in Food Preparation and Cooking, Diploma in Patisserie, Diploma in Food Preparation and Cooking and the Combination Programme in Culinary Arts.

Oxbridge Academy is one of the largest private distance learning colleges in the country, and serves more than 17 000 students annually. Oxbridge offers students opportunities to gain job-relevant skills and strengthen existing skills and experience with an appropriate qualification or skills course, backed by strong academic and student support from industry experts and tutors. It continues to extend its academic offering and programmes, diversifying and increasing its product offering to make more qualifications and programmes accessible to students opting for distance learning.

The University of Africa (UoA), based in Zambia, offers distance learning qualifications to a growing student base in Southern Africa, including South Africa, Zambia, Zimbabwe, Angola, Uganda and the Democratic Republic of Congo.

ADvTECH's tertiary focus across all brands is on building student careers by continuously developing curricula to remain relevant in the world of work. We build strong industry, academic and professional body partnerships that ensure this relevance, while our commitment to student success includes a focus on quality teaching and student support and development. We seek to produce graduates who can, and will, contribute to the economy and society and, as a result, we unquestionably hold the leadership position in private education.

ACCREDITED TERTIARY COURSES BY CATEGORY



LOOKING AHEAD

Distinguishing ADvTECH from its historic peers in the education sector is our commitment to innovation through the development of new qualifications, our approach to teaching and learning and our unrivalled provision of student support and service.

A schools and tertiary administration software system, or student information system, was implemented in the schools division in 2018, providing them with consolidated information and high-quality reporting and analytics to generate actionable insights. It provides portals for parents, students and teachers and therefore changed the way we interact and give feedback. It will be further supplemented with analytical tools and internal and external benchmarking.

This new system will enable us to set up common learning management tools to drive best practice and online professional development programmes. The system will also enable us to improve data literacy of teachers and school managers, therefore enabling better data-driven decision making.

We continue to make full use of ILEarn, the Learning Management System (LMS), which supports the teaching and learning strategy to reach more students in the distance mode and enhance the learning experience of our on-campus students.

Increasingly effective online education strategies are being developed and will be implemented in coming years to support our growth in the distance education space. We monitor each new operational feature to ensure that our growth does not compromise the quality of our teaching and learning.

The Bridge, ADvTECH's new assisted learning school, opened in January 2018 and offers alternative solutions for parents and students who are not currently adequately catered for in mainstream or special needs schools. Responding to a significant market demand, The Bridge represents a much-needed opportunity for children with average to above average ability, whose learning is impacted by challenges such as Attention Deficit Hyperactivity Disorder (ADHD), Attention Deficit Disorder (ADD) and mild autism or anxiety, or who have been through illness or trauma that affected their progress.

The school assists learners to bridge the gap between where they currently find themselves and what is required in mainstream schools, in order to help each learner reach their full potential and develop strategies that will enable them to return to a mainstream classroom confidently and empowered. With small classes capped at 12 pupils, an individualised learning approach and therapeutic programmes, The Bridge caters to learners who are cognitively on par or ahead of their peers to address the challenges that have kept them from succeeding in mainstream schools.

DIVISIONAL *review* | SCHOOLS BRAND OVERVIEW



CrawfordSchools™

is a trailblazer in innovative and forward-thinking education, offering well-rounded contemporary education from Grade 0000 to 12 in pre-primary, preparatory and college. Every student is acknowledged and offered the opportunity to excel. The child-centred approach inherent in every school prompts students to examine and realise their own potential, ensuring every child is a masterpiece.

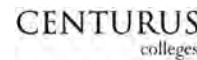
www.crawfordschools.co.za
www.crawfordinternationalschool.com



Trinityhouse

is founded on Christian principles and traditional values and comprises pre-primary, preparatory and high school. Its students are offered a healthy balance of academic, sports and cultural activities within a structured, secure and disciplined environment from Grade 0000 to Grade 12.

www.elkanah.co.za
www.glenwoodhouse.co.za
www.trinityhouse.co.za



Centurus Colleges

are a family of independent, co-educational schools providing superior education services for children of varied abilities, embracing diversity and change in pursuit of academic, sporting and cultural excellence. The schools provide a dynamic and progressive education for the individual needs of the students from Grade 0000 to 12 in pre-preparatory, preparatory and college, and also offers boarding.

www.centuruscolleges.co.za



Maragon Schools

combines excellence with a Christ-centred education while maintaining a healthy balance across all disciplines. The schools maintain high academic, cultural and sporting standards in pre-primary, primary and college from Grade 0000 to Grade 12.

www.maragon.co.za



Junior Colleges

is a brand of nursery schools that provide superior quality education and care to children aged from six weeks to six years and up to Grade 1 at one site. A formal curriculum creates meaningful and happy early learning experiences in a safe environment and prepares students exceptionally well for their entry into formal education.

www.juniorcolleges.co.za

NO OF SCHOOLS	EST	LOCATION	NO OF SCHOOLS	EST	LOCATION	NO OF SCHOOLS	EST	LOCATION	NO OF SCHOOLS	EST	LOCATION	NO OF SCHOOLS	EST	LOCATION
23	1993	Gauteng , KwaZulu-Natal and Kenya	20	1997	Gauteng, KwaZulu-Natal and Western Cape	9	2005	Gauteng and North West	9	1999	Gauteng	7	1979	Gauteng

CURRICULUM

Independent Schools Association of Southern Africa Early Childhood Development Curriculum (ISASA ECDC)

International Baccalaureate Primary Years Programme (IB)(PYP)

South African Curriculum Assessment Policy Statements (CAPS)

Independent Examinations Board Subject Assessment Guidelines (IEB SAGS)

Kenya: Cambridge International

ISASA ECDC

CAPS

IEB SAGS

ISASA ECDC

CAPS

IEB SAGS

ISASA ECDC

CAPS

IEB SAGS

Structured Early Years Foundation Stage (EYFS)

ISASA ECDC

DIVISIONAL *review*

SCHOOLS BRAND OVERVIEW *continued*



Abbotts College

recognises the individual needs of its students and helps them to develop their full academic potential in an inclusive, caring and focused environment. Catering for Grade 8 to Grade 12 students, the college helps high school students achieve their best possible results by combining methods of expert teaching, pure academic focus and unique processes.

www.abbotts.co.za



Pinnacle Colleges

provides a sound academic footing while preparing pupils for life beyond matric. This is achieved through a focus on the delivery of an excellent academic programme and a strong extramural offering from Grade 0000 to Grade 12.

www.pinnaclecolleges.co.za



The Bridge Assisted Learning School

provides specialised education for Grade 0 to Grade 7 students that require learning intervention. Through small classes and individual attention, the school is able to instil not only the skills, but also the self-esteem that will allow students to take on their learning journey with confidence.

www.thebridgeschool.co.za



Gaborone International School

provides an excellent English medium education with attention given to learners' academic, physical and moral needs. The school offers affordable private education from crèche and reception to Standard 1 to 7, and secondary education from Form 1 to 4.

www.gaboroneinternationalschool.co.bw

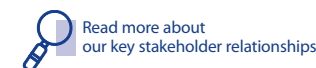
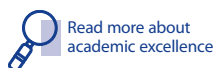


Makini Schools

is renowned for its unparalleled academic excellence and has seven schools on three campuses in Nairobi and Kisumu catering for Kindergarten to Grade 12.

www.makinischool.ac.ke

NO OF SCHOOLS	EST	LOCATION	NO OF SCHOOLS	EST	LOCATION	NO OF SCHOOLS	EST	LOCATION	NO OF SCHOOLS	EST	LOCATION	NO OF SCHOOLS	EST	LOCATION
6	1971	Gauteng and Western Cape	17	2018	Gauteng and Western Cape	2	2018	Gauteng	3	1991	Botswana	7	1978	Kenya
CURRICULUM														
CAPS			ISASA ECDC CAPS IEB SAGS Cambridge International			ISASA ECDC CAPS			ISASA ECDC Botswana National Syllabus (PSLE) Cambridge International General Certificate of Secondary Education (IGCSE)			Kenyan National Syllabus		



DIVISIONAL *review*

SCHOOLS *continued*

99%
Matric
pass rate

87%
Bachelor
pass rate
(qualifying for
entrance into
universities)

6
students
obtained
9
distinctions

27
students
obtained
8
distinctions

47
students
obtained
7
distinctions

40
students
obtained
6
distinctions

Average
of
1.7
distinctions
per student



PERFORMANCE HIGHLIGHTS

Academic development remains at the heart of our strategy. The acid test is to make sure we deliver on our promise of academic excellence in every ADvTECH school.

Our commitment to academic development and excellence is fundamental to the sustainability and reputation of the group. We have a very clear understanding of what we want to deliver by way of curricula that are challenging and meaningful and we have a variety of offerings. We develop the global competencies, thinking, researching, communicating social skills and self management.

Our focus on academic excellence, which is at the core of our strategy, is our key differentiating factor compared to other private school groups.



The other two core focus areas are brand value and operational efficiencies. Our brands need to be relevant and if the enrolments and student numbers are growing it means the brand has value in the marketplace.

The schools themselves must operate efficiently and be effective. Private education is expensive and we need to assure consumers we are providing them with value.

Schools
continued



DIVISIONAL *review*

SCHOOLS *continued*



Crawford International School



Makini School

As the leader in the premium private schooling sector, we provide quality pre-primary, primary and college or high-school education. With the consistent increase in demand for private education, we seek to honour our commitment by creating expansion opportunities across all those levels in addition to re-positioning schools in response to specific market needs.

The division's performance in the mid-fee segment has been outstanding. Reacting to these changed market conditions, we modified our schools strategy and structure to focus on the growing mid-fee sector, diversifying and expanding our holdings in this segment and this has resulted in significant organic growth.

Crawford International School, Kenya is our first greenfield development outside South Africa and it opened in September 2018. Focused marketing and advertising, together with Crawford's established reputation and unique offering, helped to launch the school successfully and has resulted in strong and ongoing interest with 189 students enrolled to date.

The successful establishment of the Crawford brand in the international arena, is a milestone for the division. The Crawford brand is highly rated by US Ivy league universities such as Columbia, Harvard and Princeton, who regularly visit the schools as part of their recruitment drives. We believe that our fee and product strategy will allow for successful penetration of the competitive Kenyan market and provide the springboard for future opportunities in the region.

The acquisition of the prestigious Makini Schools group, also in Kenya, added seven schools, three campuses and boarding facilities in Nairobi and Kisumu to our portfolio, boosting student numbers by 3 197. These investments, together with Gaborone International School in Botswana, have contributed significantly in progressing our expansion strategy on the rest of the continent.



The Makini group, founded in 1978, is well-known for unparalleled academic excellence in the region.

The substantial 2019 enrolments for both Makini and Crawford International School underscore the high demand for quality private education in the rest of Africa, and bodes well for future growth on the continent.

The expansion projects in Africa follow the establishment of a new partnership between ADvTECH and Schole International Ltd, a company which has managed various schools throughout sub-Saharan Africa since 2012. The new partnership has plans to acquire suitable schools across the continent and to build a network of institutions known for their academic excellence in the mid-fee segment of the market. ADvTECH holds the majority stake, while the remaining shareholding is held by the original founders of Schole International and Caerus Capital, a leading international education consultancy group.

Identifying partners who know and understand the local markets and who have extensive experience in operating schools throughout East Africa, is important to grow our mid-fee offering sustainably. Our objective is to increase access to affordable education in the rest of Africa while maintaining quality and academic excellence. Together with the Crawford International School and the strategic acquisition of Makini schools, we believe the structures are in place to expand into the rest of Africa and explore further opportunities.

These developments indicate the significant progress being made in our strategy of expanding into the rest of Africa, positioning us well ahead of our competitors in this regard.

Seven new schools were opened in 2018: along with Crawford International School (pre-primary, primary and college), The Bridge Assisted Learning School (pre-primary, primary) and in the mid-fee sector, Maragon Mooikloof High School and Pinnacle College Copperleaf were established.

DIVISIONAL *review*SCHOOLS *continued*

The Bridge Assisted Learning School opened in January 2018 in Beverley, in the northern suburbs of Johannesburg, and enrolments exceeded expectations. This new product offering addresses a gap in the market by offering specialised education for students from Grade 0 – 7 who have a range of academic challenges requiring specific learning assistance before returning to main stream.

It was established to address the significant shortage of offerings for this particular type of school. With the emphasis on small classes and individual attention, the school is able to instil not only skills, but also the self-esteem that will allow students to pursue their learning journey with confidence.

Pinnacle Colleges, a new brand, was launched with a focus on affordable, quality, community-based education. There is an enduring demand for high quality private education, despite the tough economic conditions. We therefore incorporated our first two mid-fee greenfield schools under the Pinnacle brand - Founders Hill College and Copperleaf College. We have similarly remodelled and rebranded our prior acquisitions of Kathstan College and Summit College into the Pinnacle College brand, as Pinnacle College Rynfield and Pinnacle College Kyalami.

The school communities have responded positively to the rebranding and repositioning and this has produced a substantial increase in enquiries and enrolments. These successes support our adjusted strategy to reposition our value proposition in this sector and increase the flow of projects in the pipeline for this model.

Pinnacle provides an affordable high quality education where classes are limited to a maximum of 28 students. Fewer subjects are offered in comparison to the premium fee schools. Students follow the CAPS curriculum as prescribed by South Africa's Department of Basic Education and will write the Independent Education Board (IEB) exit examination. The academic component is complemented by a comprehensive extra-mural offering best suited to the area.

**Success****Re-positioning****Opening in 2020**

Overall, student enrolments increased in the division but the challenging economic climate and unsettled socio-economic environment continues to have an impact on organic growth with ongoing high levels of withdrawals due to emigration and financial pressures. Although we do not foresee short-term relief, we are confident that there will be a return to improved levels of profitability growth as restructuring efforts deliver results.

The schools division implemented many changes in 2018 to deal with the challenges the division faces. Systems and processes have been updated, upgraded and realigned and the value offering enhanced in line with global academic and competency requirements.

[Read more about our academic excellence](#)

The past year has been a time of integration and consolidation following a four-year acquisitive period which has doubled the division's size. We have used the opportunity to rationalise and restructure the divisional systems and processes so that they are better suited to the increased scale of the business and which included the reorganisation of the schools division's management structure and support functions. The consolidation into the group shared services function is also leading to improved efficiencies, effectiveness and controls. Multiple legacy and inherited systems are being replaced with modern and scalable single systems. Further changes are being implemented in the division to drive operational efficiencies and sharpen market focus, in order to consistently deliver high performance across the board.



DIVISIONAL *review*

SCHOOLS *continued*

Encouraging signs related to these changes show that they are starting to take effect, particularly in the improved academic results, with marked improvements in the average distinction rate per matric candidate at Maragon and Centurus schools.

During 2018 our students delivered excellent academic results. The Independent Examination Board (IEB) and National Senior Certificate (NSC) students achieved a 100% matric pass rate and averaged 1.7 distinctions per student. Our Department of Basic Education (DBE) NSC matric students achieved a 97% pass rate compared to the national pass rate of 78% and averaged one distinction per student.

Overall, we remain confident that our school division's strategy is appropriate and, together with the plans in place, the division is expecting continued improvement in performance in the coming years.

We expect to deliver further growth in the mid-fee segment through our new school projects pipeline. The mid-fee greenfield developments continue to perform beyond our expectations and have led to the completion of expansion projects for both Pinnacle College Founders Hill and Pinnacle College Copperleaf (including the High school). The new mid-fee Maragon Mooikloof High School also came onstream in 2018. Preparations are under way for the opening of several new Pinnacle College mid-fee schools for 2020 in Linden and Barbeque Downs.

Major redevelopment and expansion projects have been proposed for Pinnacle College Kyalami and Rynfield. Due to the strong demand, additional capacity is also planned for The Bridge School.

Another premium school development in the pipeline is Trinityhouse Glenvista in the south of Johannesburg, scheduled to open in 2020.

All these planned expansions will leverage either newly acquired brownfield* investments or existing schools to maximise return on investment.

* *Brownfield infrastructure converts existing buildings into school infrastructure. This requires less time to market and reduced capital investment maximising return on investment.*

LOOKING AHEAD

Schools division's key focus remains, the changes in structures, systems and processes that will continue to be refined and leveraged in order to simplify and standardise operations. There are already signs of the benefit of the changes we have put into place and we believe the schools division will improve in due course.

We have a strong pipeline of both greenfield and brownfield sites and these are mostly directed at the demand in the mid-fee sector which continues to expand rapidly.

We continue to look for suitable acquisitions that will add value to the group, and in doing so ensure that ROI will be maximised.

The overall growth of the division, including the new schools and acquisitions, is expected to continue at a steady pace in line with the group's growth strategy.



Read more about
our capex investment



DIVISIONAL *review* | TERTIARY BRAND OVERVIEW



The Independent Institute of Education (IIE)

is responsible for the academic leadership and governance in the group. As a national provider, the IIE oversees a total of 21 DHET registered** sites in the group.

www.iie.ac.za



Rosebank College

offers an affordable and unique urban higher education experience with campuses located in the heart of city centres. A focus on courses that are fully integrated with work experience ensures graduates are ready to step into the work environment.

www.rosebankcollege.co.za



Varsity College

is a premium education brand based on a uniquely progressive approach to teaching, learning and development. This student-centric approach focuses on academic excellence, pioneering teaching practices, all-encompassing student support and authentic student life experiences.

www.varsitycollege.co.za



Vega

produces graduates who are able to design and create original strategic solutions to brand challenges in business and society.

The Design School of Southern Africa has been incorporated into the Vega offerings.

www.vegaschool.com



The Private Hotel School

is a leading hotel, hospitality and culinary school based in Stellenbosch and Johannesburg. Their dynamic team guides students and creates a strong foundation for a successful career in the hospitality and tourism industries. The curriculum is taught through innovative academic methods and provides practical training and opportunities with respected industry partners.

www.privatehotelschool.co.za

NO OF SITES	EST	LOCATION	NO OF CAMPUSES	EST	LOCATION	NO OF CAMPUSES	EST	LOCATION	NO OF CAMPUSES	EST	LOCATION	NO OF CAMPUSES	EST	LOCATION
21	2005	Gauteng	7	1948	Gauteng, Free State, KwaZulu-Natal and Limpopo	8	1991	Gauteng, Eastern Cape, KwaZulu-Natal and Western Cape	4	1999	Gauteng, KwaZulu-Natal and Western Cape	2	2006	Gauteng, Western Cape

CURRICULUM AND ASSOCIATIONS

The Department of Higher Education and Training (DHET)
British Accreditation Council (BAC)
Open University (OU)
Higher Education Quality Committee (HEQC)
South African Institute of Chartered Accountants (SAICA)
The Design Education Forum of Southern Africa (DEFSA)

Autodesk, Inc.
Project Management South Africa (PMSA)
Microsoft IT Academy
The Marketing Association of South Africa (MA(SA))
The Digital Marketing Institute

CURRICULUM

DHET, The Quality Council for Trades & Occupations (QCTO), City & Guilds (UK), The South African Chefs Association (SACA), and American Hospitality Academy International Hotel Management Schools (AHA-IHMS)
Federated Hospitality Association of Southern Africa (FEDHASA)
Association of Private Providers of Education Training and Development (APPETD)
Stellenbosch Tourism
Serves on the Management board of EUROCHRIE, the official federation of Europe and Africa of the International Council for Tourism and Hospitality Educators

** DHET Registration nr. 2007/HE07/002, certificate 16/9/2018.



Read more about academic excellence



Read more about our stakeholder relationships

Tertiary
continued

DIVISIONAL *review*

TERTIARY BRAND OVERVIEW *continued*



Capsicum Culinary Studio

is South Africa's largest chef school. The professional courses offered are internationally accredited and allow graduates entry into the global marketplace. Capsicum's purpose is to support students in developing the key skills, qualities and attitudes required for a successful career in the culinary arts industry.

www.capsicumcooking.com



Oxbridge Academy

provides the opportunity for students to study a wide range of nationally and internationally recognised courses and qualifications from home. The distance learning model enables students to work and gain practical experience while they gain relevant theoretical knowledge through their studies.

www.oxbridgeacademy.co.za



The University of Africa

is a private open distance learning tertiary institution with an expanding portfolio of faculties and programmes ranging from diplomas to PhDs. As a pan-African university, its mission is to respond to the actual and realistic needs of students who want to empower themselves, their families and their communities.

www.universityofafrica.net

NO OF CAMPUSES	EST	LOCATION	NO OF CAMPUSES	EST	LOCATION	NO OF CAMPUSES	EST	LOCATION
6	2003	Gauteng, Eastern Cape, KwaZulu-Natal and Western Cape	1	1997	Western Cape	1	2007	Zambia

CURRICULUM AND ASSOCIATIONS

Culture, Arts, Tourism and Sport SETA (CATHSSETA)

Business Hotel Management School (BHMS) Switzerland

The Quality Council for Trades and Occupations (QCTO)

Institute of Certified Bookkeepers (ICB)

The City & Guilds Institute (UK)

Swiss Education Group (SEG)

World Association of Chefs' Societies (WACS)

SACA

DHET, QCTO, UMALUSI, select courses endorsed by IIE

Institute of Certified Bookkeepers (ICB)

Education, Training and Development Practices Sector Education and Training Authority (ETDP SETA)

Association of Private Providers of Education and Training Development (APPETD)

South African Institute of Occupational Health and Safety (Saioosh)

The Zambian Ministry of Education, Science, Vocational training and Early Education

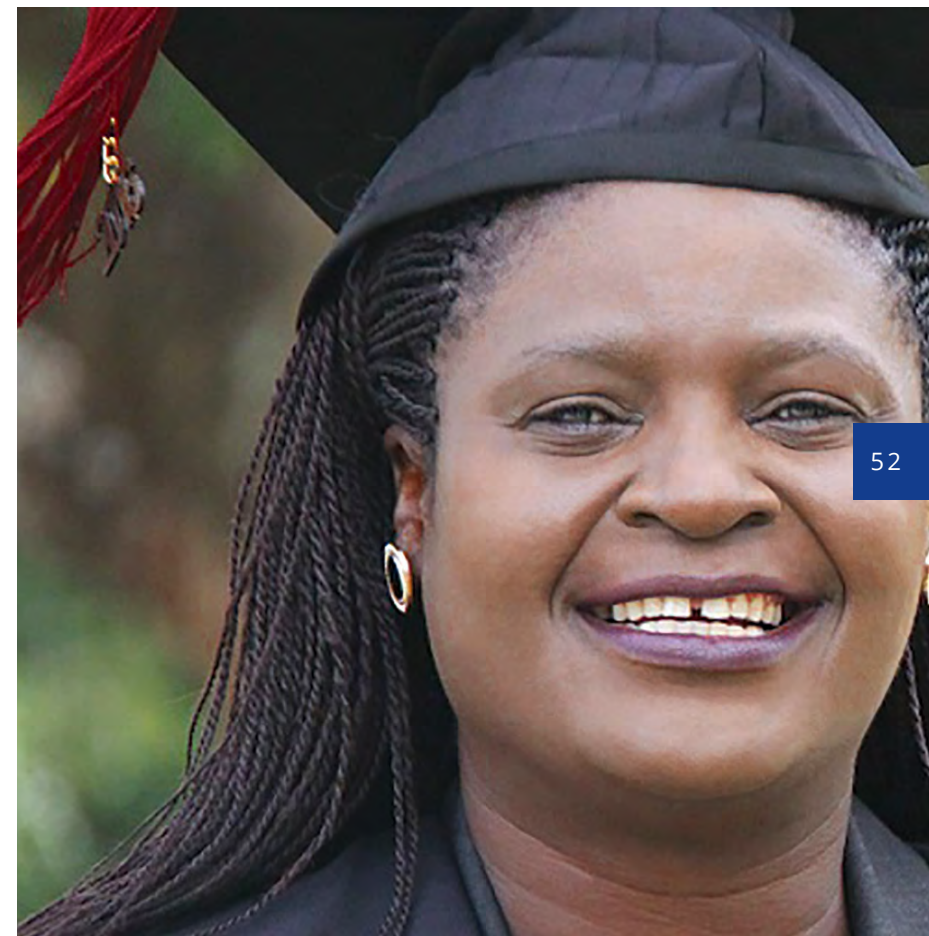


Read more about academic excellence



Read more about our stakeholder relationships

Tertiary
continued



DIVISIONAL *review*

TERTIARY *continued*



The tertiary division is well positioned and the brands are ideally placed, the teams efficiently structured and the systems and processes performing well.

The strong value propositions of our brands and their work-focused curricula and qualifications continue to gain traction in the market and they remain well positioned to effectively deliver accredited quality offerings to their respective target markets.

The IIE is central to our commitment to academic excellence and is responsible for ensuring that our qualifications remain relevant and bridge the gap between the curriculum and the constantly evolving workplace. The quality of our offerings is assured through The Independent Institute of Education (IIE) which provides exceptional academic leadership. This, together with robust operational structures and efficiencies, augurs well for further growth despite South Africa's tough economic environment. Of real importance is the relevance of our qualifications and the work we do with employers to get our graduates placed.

PERFORMANCE HIGHLIGHTS

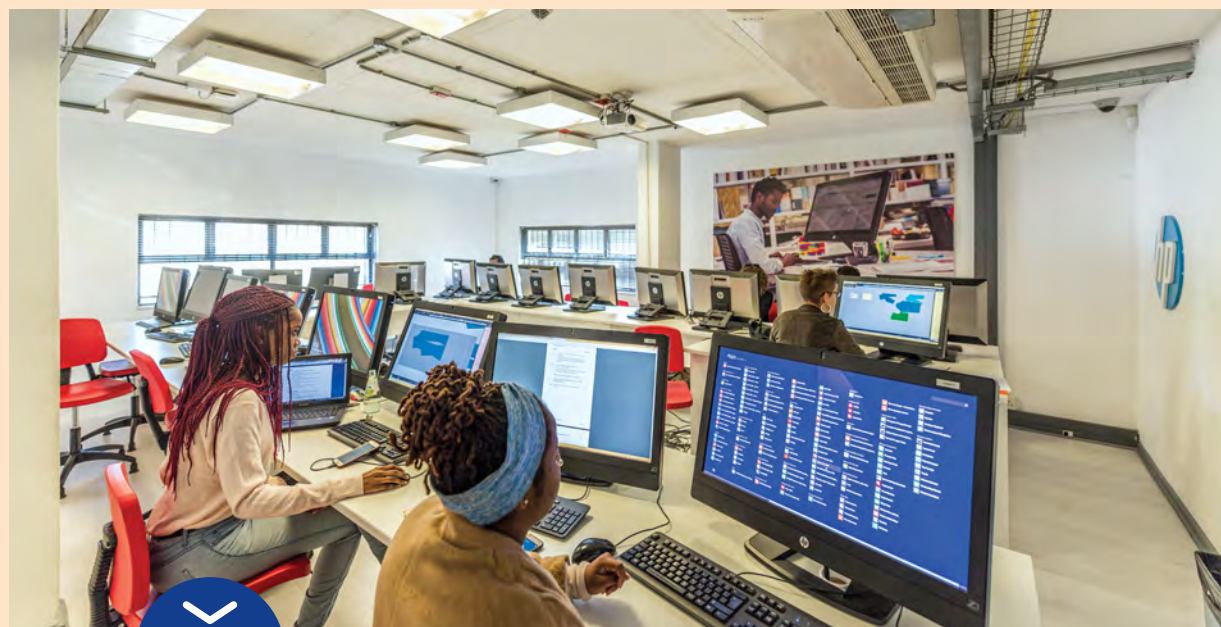
Rosebank College remains responsive to market needs and this is demonstrated through the opening of their School of Education at the beginning of the 2018. The faculty offers accredited IIE education degrees designed around ongoing teacher development and a focus on equipping our graduates with the necessary skills and tools to become effective, student-centred educators and mentors.

A new Entrepreneurship programme in collaboration with Standard Bank, was also launched. It aims to develop young entrepreneurs and equip them for handling the challenges of starting and growing a business. The first cohort comprised ten IT graduates, three of whom received financial backing for their business ideas. The programme will continue to develop viable ideas and enable graduates to enter the world of business confidently and successfully.

Varsity College remains our largest brand in the tertiary portfolio. Much of 2018 was dedicated to improving the student experience in line with our strategic objectives of customer care and academic excellence, to ensure that the student success rate and delivery of academic quality are in line with, or exceed, student expectations.

Varsity College's continual focus on the best teaching and learning practices result in, our students consistently obtaining excellent academic results and distinction rates. In the South African Institute of Chartered Accountants (SAICA) ITC Certificate board exams, our students obtained an 82% pass rate in 2018 (2017: 83%). Four of the top 20 students were from Varsity College. Beyond academics, the brand also offers students a balanced student life experience which includes a wide range of sports, cultural and social activities.

We are particularly pleased with the development of our professional faculties and the size and scale we are building in this area. Student numbers in education are up by 122% and 266% in accounting. The law faculty has grown by 64% with 2 686 students currently studying for an IIE qualification in the law faculty.

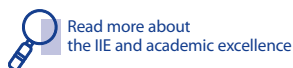


Tertiary
continued

DIVISIONAL *review*

TERTIARY *continued*

A significant step forward in private tertiary education came with the recent High Court ruling in favour of the IIE Varsity College in relation to their law degree. This ruling sets a precedent for recognition from professional bodies in all fields and confirms that registered and accredited institutions and qualifications are required to meet the identical standards and are therefore equivalent to public university offerings and this is a landmark development for the country's higher education sector as a whole and ADvTECH in particular.



Vega School, an industry-renowned leader in creative design, brand and business education, was ranked as the top creative based educational institution in South Africa by the internationally recognised Loerie Awards. Vega students also received several other industry accolades which again showcased the level of excellence inspired and nurtured at the brand. Students and lecturers were recognised internationally through exchange programmes with global thought leading institutions. These include Fontys Academy for Creative Design in the Netherlands. Part of the exchange programme included an International 'trend expert', lecturing and sharing ideas at all the Vega campuses.

Vega's much lauded applied learning experiences for students include brand challenges, industry immersions, local and international collaborations, industry guest workshops and exchange programmes. Brand challenges include clients such as ABSA, Coca-Cola, KFC, Multichoice, Nivea, Pioneer Foods and Rage. All such experiences prepare Vega graduates for work readiness.

Exceptional employment rates were achieved by our first cohort of students who graduated in 2018 with the degrees introduced in 2015, namely BA Strategic Brand Communication, BCom Strategic Brand Management and BCom Digital Marketing. Overall, there was a 95% graduate placement rate with several alumni entering

middle management positions and some other graduates started their own entrepreneurial endeavours. We see this as testimony to the successful delivery of our customer value proposition.

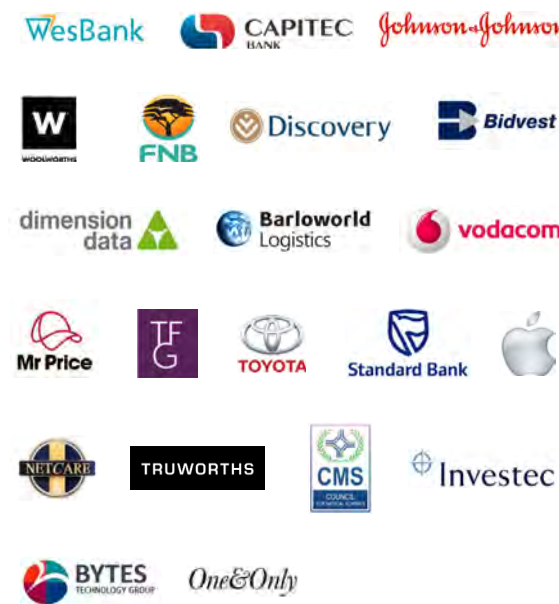
The Graduate Employment Programme (GEP) is arguably the most successful programme of its kind in the country, and continues to go from strength to strength, with Rosebank College alone placing a remarkable 10 357 of its students in jobs during the past six years. The GEP offers structured career services, including coaching workshops for students and graduates, mentorship programmes and graduate placements while engaging and partnering with corporates, their prospective employers. The division has supported and matched graduates with prospective employers and businesses on our books, including leading corporates such as Apple, Barloworld Logistics, Bidvest, Bytes Technology, Capitec Bank, Dimension Data, Discovery, FNB Wealth, Investec, Johnson & Johnson, Mr Price, Netcare, One & Only Hotel, Standard Bank, The Council of Medical Aid Schemes, The Foschini Group, Toyota, Truworths, Vodacom, WesBank and Woolworths. The programme continues to evolve in response to market demand, and consequently is enabling solid partnerships and repeat business from the country's leading employers.

In addition to the graduate assistance provided via the GEP, the IIE through its World of Work platform continued to provide ongoing public education aimed at helping the learners and parents make informed decisions about their study options, while also assisting graduates to bridge the gap between the world of study and the world of work. The platform is a value proposition unique to the IIE and ADvTECH and is a wholly owned media space which allows the continued reinforcement of the relationship between the IIE and its various brands. The platform enables on-message showcasing of brand achievements, academic excellence and developments in the higher education sector in general, and at the IIE in particular.

GEP EMPLOYER RELATIONSHIPS

43 067
IIE graduates

71%
were employed
within 6 months
of graduation



DIVISIONAL *review*

TERTIARY *continued*

GROWTH AND EXPANSION

Organic growth, a key measure of our business, has been the most significant driver of the division's excellent results, with acquisitions concentrating on adding to the portfolios and entering growing sectors in the tertiary education space.

With the acquisition of MSA (effective April 2019), a leading South African private tertiary education institution with students from more than 50 countries, we continue to consolidate our leading position in the tertiary education sector.

The MSA campus, located on Johannesburg's West Rand, is one of the largest private higher education precincts in the country, offering a world-class education environment. With a capacity for 6 500 students, it boasts high quality lecture rooms, extensive sports facilities and student residences.

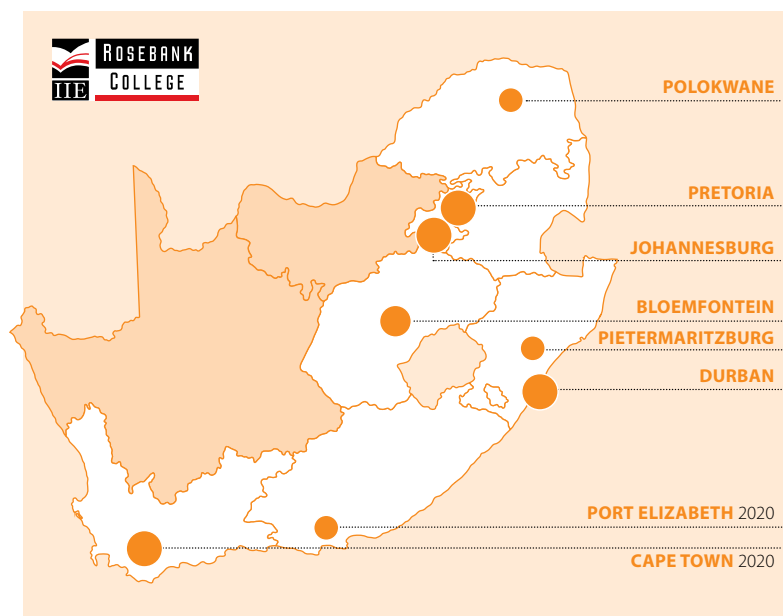
In addition to a state-of-the-art campus, MSA also brings to the ADvTECH portfolio a comprehensive suite of premium programmes, an extensive executive education and training portfolio and highly sought-after programs such as engineering and public health.

MSA has a strong track record of outstanding pass rates, qualification completion times and student employability, which perfectly complements ADvTECH's existing offering. MSA's reputation for academic excellence aligns with ADvTECH's values and will support its growth strategy. The acquisition of MSA positions the IIE well to further develop its reputation as South Africa's leading private higher education provider and brings the tertiary student complement to more than 43 000 students.

Rosebank College continues to expand. The success of Rosebank College's digital campus in Polokwane informed the opening of two new campuses, applying the same model, in Pietermaritzburg and Bloemfontein in 2018. Another digital campus in Port Elizabeth is set to open its doors in 2020.

In line with the strategy of mega-campuses in main metropolitan centres and digitally-enabled connected campuses in the provincial centres, the Rosebank College Durban campus was relocated to new premises to increase capacity. A mega-campus in Cape Town is planned to open in 2020, while the two Pretoria campuses, situated in the Pretoria CBD and Sunnyside, will merge in 2019.

A new combined campus in Johannesburg for Capsicum Culinary Studio and The Private Hotel School opened in Rosebank in 2018 and includes state-of-the-art conference facilities and a restaurant serviced by our students. This augments our presence in the burgeoning hotel, hospitality and culinary sectors and offers a secure foundation from which to launch future expansion plans.



LOOKING AHEAD

Considering the value propositions of our brands and our expansion into additional education sectors through acquisitions, we remain confident of the division's continuing growth.

We continue to explore new locations, delivery channels and product formats in order to identify further growth opportunities. Effective online education strategies will be applied in the coming years to support our expected growth in the distance education space, and new programmes developed will continue to respond to the changing needs in the market.

We have enabled data-driven decision making using our information systems. Through this we are able to drive top rate academic performance through analysis of the data and monitoring and measuring at every level.

Private higher education grew significantly between 2011 and 2016 and we believe that we are part of the whole solution to the education crisis in South Africa. A strong public sector education system is critical for a nation's perspective and we can play an active role in helping to solve the education crisis. We hope policy will become more inclusive regarding the role the private sector can play, but in any event market pressures are ensuring that the opportunity is there for us.

DIVISIONAL *review* | RESOURCING



Network Recruitment comprises three specialist areas: Network engineering, Network finance and Network IT recruitment and has over 30 years' experience in offering optimum permanent staffing solutions to clients and candidates in these industry sectors.

www.networkrecruitment.co.za



Communicate Recruitment is a specialist recruitment company with more than three decades of experience, connecting great people in the engineering, finance, IT and supply chain/freight industries throughout Africa. We partner with our clients and candidates and introduce them to exceptional people and opportunities on a permanent, contract or temporary basis.

www.communicate.co.za



Cassel & Company has a track record of service excellence that spans 29 years and offers premier permanent, temporary and contract staffing solutions in accounting and finance.

www.cassel.co.za



CA Financial Appointments has earned a reputation as the preferred recruiter in the accounting field. Striving to deliver on quality, the brand delivers within client expectations with each unique placement.

www.ca.co.za



Tech-Pro Personnel is the unrivaled leader in supply chain management recruitment and is actively involved in the development of this profession in South Africa. The brand offers permanent staffing solutions in logistics, planning, procurement and technology.

www.tech-pro.co.za



Insource. ICT specialises in permanent and contract information communication technology (ICT) staffing solutions, placing candidates at all levels within organisations nationwide.

www.insource.co.za



The Working Earth is South Africa's only recruitment advertising specialist that links advertising to electronic response handling using the power of the internet. The brand offers the following recruitment methodologies: advertising response handling, electronic recruitment, in-company recruitment and recruitment advertising.

www.theworkingearth.co.za

NO OF SITES	EST	LOCATION	NO OF SITES	EST	LOCATION	NO OF SITES	EST	LOCATION	NO OF SITES	EST	LOCATION	NO OF SITES	EST	LOCATION	NO OF SITES	EST	LOCATION	NO OF SITES	EST	LOCATION
3	1987	Gauteng	5	1982	Gauteng, KwaZulu-Natal and Western Cape	1	1989	Gauteng	1	1997	Western Cape	1	1997	Gauteng	1	2000	Gauteng	1	2000	Gauteng

ASSOCIATIONS

Association of Chartered Certified Accountants (ACCA)

The Federation of African Professional Staffing Organisations (APSO)

The Confederation of Associations in the Private Employment Sector (CAPES)

The Chartered Institute of Management Accountants (CIMA)

College of Chartered Accountants

Information Technology Association (ITA)

South African Institute of Professional Accountants (SAIPA)

The Association for Operations Management of Southern Africa (SAPICS)

SmartProcurement

Resourcing
continued



Read more about our key stakeholder relationships

DIVISIONAL *review*

RESOURCING *continued*



Africa HR Solutions offers payroll and compliance solutions across the African continent. Africa HR solutions is based in Mauritius, with a network that has been expanded through years of hard work to cover various African countries. Africa HR solutions offers local and expat outsourcing solutions.

www.africa-hr.com



CA Global (Pty) Ltd is the holding company of CA Mining, CA Engineering, CA Oil & Gas and CA Finance & Banking. The team and directors have extensive recruitment knowledge on the African continent, providing clients with the talent required for their business success.

www.caglobalint.com

NO OF SITES	EST	LOCATION	NO OF SITES	EST	LOCATION
3	2015	Mauritius	2	2007	Western Cape

ASSOCIATIONS

Professional Employer Organisation (PEO)





DIVISIONAL *review*

RESOURCING *continued*

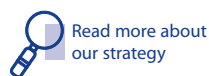
A FOCUS ON QUALITY

Barriers to enter the recruitment industry are minimal because there are few legislative or other requirements. For this reason, it is vital that the division retains its solid reputation as a leading provider of quality candidates. All our brands are accredited members of a number of professional bodies including the Federation of African Professional Staffing Organisations (APSO), the Institute of Personnel Service Consultants (IPSC), the Confederation of Associations in the Private Employment Sector (CAPES) and the Information Technology Association (ITA).

Leveraging off LinkedIn's unique global social media positioning to source candidates, the division further increased its LinkedIn recruiter subscriptions in 2018.

To ensure the continued excellence in quality and superior service, the division conducts annual independent, client-focused market research activities. The findings of these studies help to identify areas for improvement.

There is also a rigorous internal quality auditing process to ensure that the placement of quality candidates, best suited to client requirements, is consistently efficient.



Read more about our strategy



Read more about resourcing division's B-BBEE rating in the Tsec report



EXCELLENCE THROUGH SPECIALISATION

PERFORMANCE HIGHLIGHTS

Despite the challenging economic conditions, the division grew by 23% in candidate placements (permanent and temporary), maintaining its position as market leader in temporary and permanent placements.

Results in the South African market remained flat, attributed to the uncertain socio-political environment which affected a volatile job market experiencing high unemployment rates.

To counter the effect of low economic activity in the domestic market, we continued to broaden our prospects and services in different market segments in the wider African market.

The division achieved significant growth in the African market, taking advantage of a positive economic climate and recovery in these markets, particularly in the mining sector. Most notably, Africa HR Solutions, which operates in the contracting space, continues to grow with an increased number of placements in various African countries. The strong growth necessitated operational expenditure and investment in resources and systems to accommodate this and mitigate risk and currency exchange losses. The brand is now well positioned for further expansion.

The recruitment process outsourcing function continues to perform well and will be extended to other clients and further roll-out across the group.

We were able to speed up the placement process through optimising the use of technology and systems, as well as streamlining processes and improving database management and extraction. This led to the speeding up of the process to identify the best candidates and placing them with clients requiring scarce skills, resulting in increased customer satisfaction.

LOOKING AHEAD

We continue to seek opportunities to extend and strengthen our position across the African continent in both temporary and permanent placements, though we expect a continued tough market within the South African economy.

Finding innovative ways to streamline the recruitment process while upholding the high levels of professionalism in each of the niche sectors of specialisation remains an ongoing objective.

SUSTAINABILITY *report*

A review of our activities to run a sustainable organisation and contribute to society in a meaningful way

As part of our commitment to integrated sustainability management, we strive towards the UN's Sustainable Development Goals (SDGs) by aligning our business and brands specifically to quality education [4] where possible.

This report has been prepared with reference to the Global Reporting Initiative (GRI) Standards. To guide and inform our decisions during the preparation of this report, we applied the principles and requirements contained within the South African Companies Act No 71 of 2008, JSE Listings Requirements and the King IV™ Report on Corporate Governance for South Africa 2016 (King IV™).

ADvTECH's foundations are built on providing academic excellence and the highest levels of service. Our intellectual capital, skills and most importantly, the calibre and quality of our people, are our greatest assets.

We therefore continuously invest in human capital with the intention of growing a sustainable business.



www.un.org

SUSTAINABLE DEVELOPMENT GOALS AND THE EDUCATION SECTOR¹

The United Nations' *Transforming Our World: The 2030 Agenda for Sustainable Development* is one of the most ambitious and important global agreements in recent history. The agenda, with the 17 Sustainable Development Goals (SDGs) at its core, is a guide to tackling the world's most pressing challenges, including ending poverty and bringing economic prosperity, social inclusion, environmental sustainability and peace and good governance to all countries and all people by 2030.

The SDGs cover a wide range of complex social, economic, and environmental challenges and addressing them will require transformation in the way societies and economies function and how we interact with our planet. Education, research, innovation and leadership will be essential in helping society address these challenges. Education institutions, with their broad remit around the creation and dissemination of knowledge and their unique position within society, have a fundamental role to play in the achievement of the SDGs to the extent that none of the SDGs can be achieved without this sector.

¹ This section is adapted from SDSN Australia/Pacific (2017): *Getting started with the SDGs in universities: A guide for universities, higher education institutions, and the academic sector. Australia, New Zealand and Pacific Edition. Sustainable Development Solutions Network – Australia/Pacific, Melbourne.*

SUSTAINABILITY *report continued*

Some of our main areas of contribution are:

TEACHING AND LEARNING

Providing students with the knowledge, skills and motivation to understand and address the SDGs (broadly 'education for sustainable development'); providing in-depth academic or vocational expertise to implement SDG solutions; providing accessible, affordable and inclusive education to all; providing capacity building for students and professionals from developing countries; and empowering and mobilising young people.

ORGANISATIONAL GOVERNANCE, CULTURE AND OPERATIONS OF THE UNIVERSITY

Implementing the principles of the SDGs through governance structures and operational policies and decisions, such as those relating to employment, finance, campus services, support services, facilities, procurement, human resources, and student administration.

EXTERNAL LEADERSHIP

Strengthening public engagement and participation in addressing the SDGs; initiating and facilitating cross-sectoral dialogue and action; ensuring higher education sector representation in national implementation; helping to design SDG-based policies; and demonstrating sector commitment to the SDGs.

HOW EDUCATION FACILITIES CAN CONTRIBUTE TO THE SDGs

While teaching and learning, research, organisational governance and operations, and external leadership are often approached separately, they are interlinked. The SDGs present great opportunities for creating, strengthening and communicating the links between these areas, and therefore a university-wide approach to engagement with the SDGs is the best option (see section 3).

The diagram below summarises the structure of this section and provides an overview of the key contributions education institutions can make to the SDGs.



Reference to the SDSN Australia/Pacific (2017): *Getting started with the SDGs in universities: A guide for universities, higher education institutions, and the academic sector. Australia, New Zealand and Pacific Edition. Sustainable Development Solutions Network – Australia/Pacific, Melbourne.*

SUSTAINABILITY *report continued*

TEACHING AND LEARNING

Education is one of the bedrocks of the SDGs. Quality education leads to significant sustainable development benefits for individuals, communities and countries [9]. It is also a crucial way to support and accelerate global capacity to implement the SDGs [10]. Universities, through their extensive learning and teaching activities – including undergraduate and graduate teaching, professional training, executive and adult education, online learning, co-curricular activities, and student clubs and societies – have a very important role to play in SDG implementation.

HOW is teaching and learning relevant to the SDGs?

The SDGs recognise the importance of education to sustainable development through SDG 4, which calls for providing “inclusive and equitable quality education and promoting lifelong learning opportunities for all.” Some of them explicitly call for action by universities, and many others have direct relevance to teaching and learning activities within universities (see below).

SDG targets relating directly to teaching and learning

TARGET	
4.3	By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university
4.4	By 2030, increase substantially the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship
4.5	By 2030, eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable, including persons with disabilities, indigenous peoples and children in vulnerable situations
4.7	By 2030, ensure that all students acquire the knowledge and skills needed to promote sustainable development, including, among others, through education for sustainable development and sustainable lifestyles, human rights, gender equality, promotion of a culture of peace and non-violence, global citizenship and appreciation of cultural diversity and the contribution of culture to sustainable development
4.a	Build and upgrade education facilities that are child, disability and gender sensitive and provide safe, non-violent, inclusive and effective learning environments for all
4.b	By 2030, substantially expand globally the number of scholarships available to developing countries, in particular least developed countries, small island developing States and African countries, for enrolment in higher education, including vocational training and information and communications technology, technical, engineering and scientific programmes, in developed countries and other developing countries
4.c	By 2030, increase the supply of qualified teachers substantially, including through international cooperation for teacher training in developing countries, especially least developed countries and small island developing States.

While education is the focus of one goal SDG [4] it is interlinked with all the other SDGs and plays a crucial role in supporting their implementation. This is because:

- > Quality education leads to improved development outcomes for individuals and therefore communities and countries. These include better access to gainful employment, better nutrition and health, reduction of gender disparities, greater resilience in disasters, more engaged citizens etc.
- > Implementing the SDGs will require addressing a wide range of multifaceted and interconnected social, economic and environmental challenges, involving complex interlinkages, uncertainty and conflicts of values. Providing students with skills to think through complexity, transcend paradigms, learn through dialogue and communication, engage in deep reflection, develop worldview and values sensitivity, and assess when activities support or detract from achieving the SDGs, as well as other important skills, knowledge and vocational expertise will help create more effective SDG implementers and will help accelerate the implementation of all the SDGs [12].

GOAL



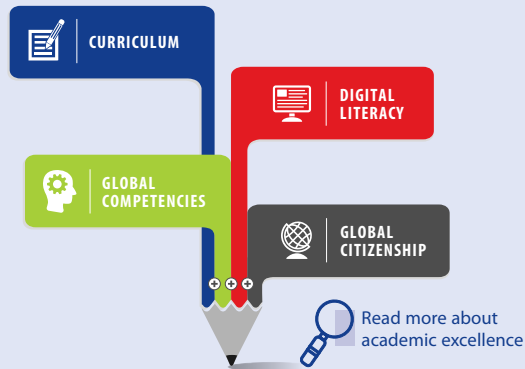
Refer to our bursary programme



Read more about how we promote the SDGs in academic excellence

SUSTAINABILITY *report continued*

Academic excellence is at the core of ADvTECH's education policy and four strategic quadrants have been developed in line with our education offering across the board:



The **curriculum** producing academic excellence is globally recognised and is interlinked with the other quadrants for a holistic result.

Digital literacy takes our students far beyond computer literacy as it includes computational thinking and programming at a global level as well as application of new age technologies.

Global competencies to develop skills such as critical thinking, research skills to analyse and interpret information, communications, interpersonal and self management skills are embedded in teaching and learning activities in all our schools to prepare students for their future world at a global level.

Global citizenship promotes awareness in our students of the UN's SDGs. In nurturing positive values and behaviours from a young age as well as a solution-seeking mindset, they will develop into globally competent individuals in a position to make meaningful contributions to society at all levels.

HOW DO UNIVERSITIES HELP THE SDGs?

Create increased demand for SDG relation education

 Provide a comprehensive and globally accepted definition of a responsible education institution

 Offer a framework for demonstrating impact

 Create new funding streams

 Support collaboration with new external and internal partners



Knowledge

Learning

Demonstration

Impact

Collaboration

HOW DO THE SDGs HELP EDUCATION INSTITUTIONS?

Provide knowledge, innovations and solutions to the SDGs

 Create current and future SDG implementers

 Demonstrate how to support, adopt and implement SDGs in governance, operations and culture

 Develop cross-sectoral leadership to guide the SDG response



www.un.org

Reference to the SDSN Australia/Pacific (2017): Getting started with the SDGs in universities: A guide for universities, higher education institutions, and the academic sector. Australia, New Zealand and Pacific Edition. Sustainable Development Solutions Network – Australia/Pacific, Melbourne.

SUSTAINABILITY *report continued*

IN LINE WITH OUR STRATEGIC OBJECTIVES AND WITHIN THE GREATER COMMUNITIES ADvTECH AND OUR BRANDS HAVE A PRESENCE

SDG 1	POVERTY ERADICATION
	> Ensuring fair trade and ethical supply chains > Investment policies that promote Environment, Social and Governance (ESG) principles > Providing support structures for students living in poverty, such as scholarships and assistance packages
SDG 2	ZERO HUNGER
	> Providing sustainable, nutritious and affordable food choices on campus > Introducing measures to reduce food waste on campus
SDG 3	GOOD HEALTH AND WELLBEING
	> Providing information, health programmes and well-being services on campus > Providing well-being programmes for staff and students to reduce incidence of non-communicable diseases and promote mental health > Implementing 'no smoking' policies on most campuses with dedicated smoking areas on the campuses > Ensuring appropriate practices are in place for dealing with hazardous substances
SDG 4	QUALITY EDUCATION
	> Supporting bursary and disadvantaged people to access and participate in the campus, including persons with disabilities, previously disadvantaged people, and people experiencing financial difficulty > Providing programmes to enhance literacy and education in communities and schools in our local areas and beyond > Providing facilities that promote and encourage inclusivity in learning > SDG 4.7 ("... ensure that all students acquire the knowledge and skills needed to promote sustainable development"): This is relevant for ensuring that the next generation of researchers is trained to undertake research related to sustainable development

SDG 5	GENDER EQUALITY
	> Implementing workplace gender equity strategies, including those for improving the representation of women in university leadership positions and senior academic roles > Promoting workplace flexibility > Participating in national campaigns to prevent violence against women
SDG 6, 7, 12, 13, 14, 15	ENVIRONMENTAL RELATED SDGs
	> Manage, conserve and recycle water
	> Incorporating aspirational environmentally sustainable design aspects into capital works
	> Instituting awareness of zero-net emission and investing in on-campus renewable energy
	> Putting climate mitigation and adaptation strategies in place
	> Developing long-term resource efficiency and management plans
	> Installing water harvesting, storage and re-use systems
	> Reducing waste and increasing recycling
	> Ensuring safe practice expectations for hazardous waste handling and disposal
	> In the process of incorporating sustainability and ethical considerations into purchasing policies, procedures and activities
	> Engaging staff and students in all sustainable campus activities
	> Our operations do not include the use of hazardous material but if used, for example, in a science lab, it is disposed of in the appropriate, safe and environmentally conscious manner

SDG 8	DECENT WORK AND ECONOMIC GROWTH
	> Aligning employment, training and regulation policies to be consistent with commitment to equity and access strategies and targets > Providing appropriately positioned and supported scholarship and financial assistance schemes for students in need > Supporting creativity and innovation through a culture of acceptable risk-taking, providing the appropriate space and process for ideas to flourish > Monitoring employment outcomes and academic workload management > Investigating socially and environmentally responsible procurement policies and procedures, affecting up and down the supply chain > Critically querying the role of economic growth
SDG 9	INDUSTRY, INNOVATION AND INFRASTRUCTURE
	> Testing and piloting innovative solutions to improving operations on campus > Committing to building sustainable and resilient infrastructure that supports well-being and minimises environmental impact > Ensuring retrofits of existing buildings increase resource efficiency and adopt clean and environmentally sound technologies > Committing to sustainable and reliable information and communications technology processes and services
SDG 10	REDUCED INEQUALITIES
	> Committing to the elimination of discrimination across the institution by ensuring the diversity of the population has the opportunity to be represented and have a voice in the decision-making process



Read more about

- > Our strategic objectives
- > Academic excellence
- > Human capital performance
- > Stakeholder engagement



HUMAN CAPITAL

performance

EMPLOYEES

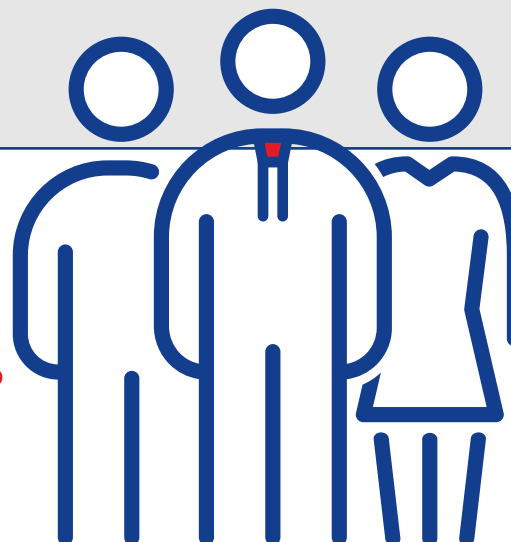
Our **7 549** (2017: 6 743) employees are the backbone of our operations and core to our long-term sustainability.

Owing to the nature of our business, we also employ many independent contractors such as lecturers and sports coaches.

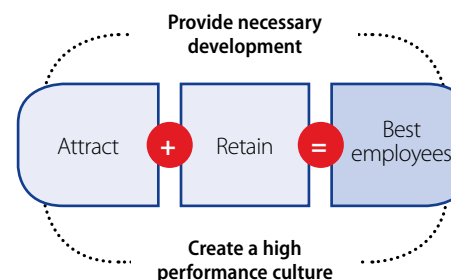
Our people are our greatest asset; they are key to the success of our business and add value to the lives of thousands of students, parents, job candidates and clients. We take pride in our highly skilled workforce.

Our development programmes, which fall under our ADvTALENT initiatives, are continually reviewed and refined, ensuring that our people are given the means to provide quality service at all times.

We continually identify and develop key employees and high potential individuals within the ADvTECH group. Our ability to attract and retain skills is influenced by our structured approach to talent management. Identified employees participate in our structured management and leadership development programmes and we actively encourage further academic study. All these interventions, in turn, support the business and its performance.



Skills development



Leadership development

At ADvTECH we believe in developing our leaders so that they are equipped with the necessary skills and knowledge to perform at their peak. We focus on building their confidence to ensure that they can lead and develop high-performing teams.

We have created purposeful learning solutions that are linked to our business strategic goals and to the personal development plans of our leaders.

Management toolkit programme

The management toolkit programme is designed specifically for onboarding our managers and aims to improve their time management and competence in their new role. We want to ensure that our new leaders are equipped with the skills to be personally effective and can manage talent, as well as engage their people to get things done at the highest level. We ensure that they will become strategic thinkers who can execute in line with the business imperatives which seek to keep the customer at the core of what we do.

Management Development Programme (MDP)

The MDP stretches the abilities of talented leaders. We aim to close the gap between the talent we have and the talent we want to develop to implement our strategic goals in a systematic way. The MDP workshops are fundamental building blocks to expanding the commercial and strategic mindset of our leaders.

The programme includes a work-based project that is linked to the MDP candidate's performance goals. Candidates will have an opportunity to showcase their talent to our executives as part of their assessment process through the programme.

HUMAN CAPITAL *performance continued*

Leadership development masterclasses

Our leadership development masterclasses focus on growing our leadership competencies throughout our business. Our best-of-breed blended solutions are relevant to the challenges our leaders face as our business grows and evolves. We give them skills that keep them agile in a dynamic environment.

Principal Development Programme (PDP)

The PDP launched in 2018 is our flagship programme for leaders in the teaching fraternity. It is aimed at both principals and deputy principals. The role of our principal is not only to ensure that a school or campus runs smoothly, but he/she must be able to execute on the commercial requirements of sustaining a school operation.

Our programme ensures that our principals are able to identify and understand the financial levers that drive ADVTECH's business to maximise revenue and return on investment. We also develop our principals' ability to engage, inspire and lead a vast array of stakeholders including their own teams.

Mentorship programme

Our structured Mentorship programme supports our entire management and leadership development philosophy and helps ensure that our people are equipped and supported in achieving their career goals.

Although the minimum requirement for mentor/mentee pairs is that they meet for at least an hour each month, we are proud of the

fact that our people spend more than the required amount of time together, working on ways to best support our mentees' career goals.

There are 65 mentors who are actively engaged with mentees. The mentorship expands beyond the formal programme and they have a knock-on effect as they deal with other staff and students.

Coaching support

Coaching for staff members is presented in the following areas in support of leadership development:

- > Providing leaders in transition business coaching support as they migrate to new areas of responsibility and are required to focus on new behaviour values and time applications
- > Support newly appointed managing directors
- > Syndicate group coaching support to delegates participating in the MDP
- > Syndicate group coaching support to delegates participating in the PDP

In actively encouraging further skills development to support the business as it grows, we also support employees by offering bursaries. Employees have the opportunity to obtain bursaries for themselves as well as family members.

In line with our stated goal of being a great company to work for, our group campuses have employee-centred facilities with a strong focus on building a competitive employee value proposition to ensure that we attract and retain the best people. Our people have access to some of the following facilities and benefits:

- > Risk cover (death and disability)
- > Retirement provision
- > Optional medical aid membership
- > School fee reduction bursaries to staff dependants
- > Study assistance at our internal brands
- > Accredited learning opportunities
- > On-site recreation facilities at most sites
- > Counselling facilities
- > Outsourced Employee Assistance Programme
- > Various health and welfare events
- > Employee recognition awards e.g. long-service
- > Onsite canteens
- > Other benefits

The key to consistent high quality service delivery lies in attracting and retaining well-qualified, experienced and enthusiastic employees.

Long-service awards are presented on completion of five years' service and every five years thereafter to acknowledge the important contribution of longer serving employees.



AWARD CATEGORY 2018

5 year
service
222

10 year
service
149

15 year
service
56

20 year
service
32

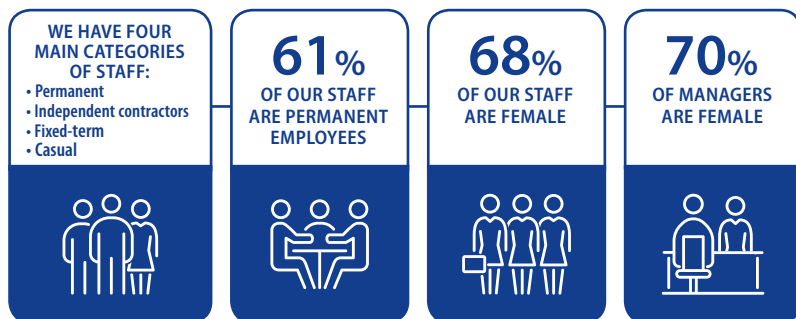
30 year
service
2



**TOTAL
461**

Read more in the
Remuneration committee report

HUMAN CAPITAL *performance continued*



Transformation

We aim for employee demographics to reflect our nation's diversity, we are in tune with the needs of our students and the companies who will ultimately hire them.

ADvTECH regards equal employment opportunity as both a strategic and a business imperative. We recognise that diversity enables us to garner the different skills, experiences and cultures of our employees to create an even richer working and learning environment. This increases our ability to deliver consistent excellent value to all our stakeholders.

ADvTECH employs 22 people with disabilities and we do everything within our means to provide the necessary resources and technologies needed for them to create and enjoy a productive working environment.

The group's employment equity policy sets out annual targets and is monitored by the group's transformation, social and ethics committee (Tsec) and the occupational health and safety (Hesio) committees.

We remain committed to transformation and continued to make progress during the past year. This is an essential component for our long-term success. While ADvTECH makes use of external accredited empowerment rating agencies, Tsec monitors the group's progress on the pillars of transformation: employment equity, black share ownership and management control, skills training and development, Broad-Based Black Economic Empowerment (B-BBEE) procurement, enterprise development and corporate social investment.



Read the Tsec report for more information

Broad-Based Black Economic Empowerment (B-BBEE)

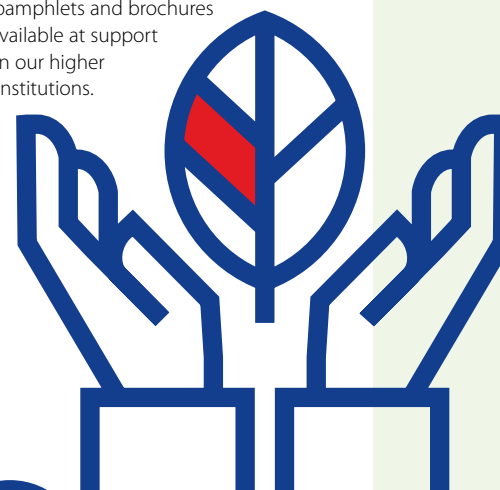
Through our affirmative procurement process, we support suppliers from historically disadvantaged communities. Our policies encourage procurement from B-BBEE suppliers, and motivate the group's suppliers to become B-BBEE compliant. This has resulted in just under half of the group's weighted B-BBEE procurement spend going to B-BBEE compliant beneficiaries.

HIV/AIDS

HIV and Aids has reached epidemic proportions in many developing countries, and it has far-reaching socio-economic, employment and human rights implications.

While the pandemic is now better contained through the availability of anti-retroviral drugs, new infections continue to occur. ADvTECH is perfectly positioned to use its learning environment in the education of students and we promote responsibility with regard to this virus. We encourage and support voluntary testing and education to minimise the stigma around those living with HIV/Aids and numerous voluntary counselling and testing initiatives took place during the year.

Events and speakers are arranged regularly and condoms, pamphlets and brochures are made available at support office and in our higher education institutions.



ENVIRONMENTAL HEALTH AND SAFETY (EHS)

The health, safety and hygiene of our scholars, students and employees in their working and learning environment is a top priority.

ADvTECH is well placed to educate our students and instil in them a deep respect for the environment and an understanding of the risks associated with global climate change.

Environmental education forms an integral part of the curriculum at our schools. Two schools in the Centurus group are internationally certified eco-schools and have earned their platinum flags. Creating environmental awareness among our students and communities promotes the protection of the valuable natural assets of our country for the future. Practical initiatives to reduce water and electricity usage include the installation of gas geysers under sinks, light switch movement sensors, rainwater capture tanks, various recycling projects and back-up generators as well as reducing travel by using video conferencing.

When developing or expanding infrastructure, the properties department conducts impact studies to identify ways to mitigate potential negative effects on the environment. They also develop environmental management plans to protect and maintain sites situated in eco-sensitive areas. During the design process of greenfields buildings as well as existing

HUMAN CAPITAL *performance continued*

buildings, the department ensures that they are environmentally friendly. We run environmental programmes on an ongoing basis throughout the group and encourage a greater sense of environmental responsibility. We have embarked on a project to install electricity meters at all our sites. The aim is to monitor electricity usage and consciously work towards reducing it.

To ensure that our sites are compliant with the South African Occupational Health and Safety Act, a dedicated health and safety team trains, audits and proactively ensures adherence to the group's OHS policies. As part of the group's overall commitment to student and employee well-being, the group conducts external audits to ensure independent evaluations.

The **ADvTECH EHS Programme** is a risk-based programme, which is run on OHSAS 18001 (aligning to ISO 45000) and ISO 14001 principles and consists of group policies, procedures, safe work procedures and guideline documents. National EHS legislation as well as local by-laws are included in the policies and procedures. Where national legislation does not exist or is lacking, international labour organisation (ILO) standards or group best practice are used as a benchmark.

EHS performance, compliance to the group requirements, as well as legal compliance is monitored through EHS audits.

Health and safety representatives were nominated and trained at their respective sites. First aid training ensures that our employees are well equipped to deal with emergencies.

Emergency preparedness and response

The safety of our staff and clients is critical. Our externally audited OHS score for 2018 was 96%. We exceed OHS regulations by having at least two first aiders per 100 people together with all pre-primary teachers who undergo a basic CPR course.

All ADvTECH sites have developed comprehensive emergency preparedness and response procedures incorporating events as identified in the risk assessments/profiles. Employees and students are aware of the emergency protocols. Emergency drills are conducted up to four times per annum.

EHS incidents

All EHS incidents are recorded, investigated and ranked. Shortcomings are incorporated into the risk register and profile and EHS policies and procedures are updated as required.

All playgrounds are audited annually by an independent evaluator to ensure compliance to the SANS 51176 standard. This has resulted in year on year reduction in playground equipment related injuries. The number of playground related incidences have decreased significantly from seven to one.

CRIME/THEFT INCIDENT ANALYSIS

Loss control procedures have been implemented. A new security company has been appointed at some sites. Security risk assessments are being reviewed and security measures assessed to ensure adequate measures are in place.

MEDICAL TREATMENT INCIDENT ANALYSIS

Historically the majority of medical treatment incidents at our facilities are related to sports injuries and slip/trip/fall type injuries. Awareness campaigns have been initiated to reduce these types of injuries.

DAMAGE TO PROPERTY INCIDENT ANALYSIS

There was a high incidence rate of storm damage as well as vehicle accidents in 2018. The vehicle safety programme that was implemented to mitigate this risk is being re-evaluated to identify shortcomings. A vehicle and driver safety management procedure has been issued and other control measures are being implemented in line with the risk profile.

Pecanwood College is in its 11th year of an eco-school programme that creates awareness in environmental sustainability. This year they are aiming for the diamond award with their plastic recycling project and to participate in Global Classroom Day.



Environmental projects

We also respond to any critical environmental situation, such as the severe drought in Cape Town. In this case, along with awareness posters and communication to staff and students, the ADvTECH sites in the region implemented water saving measures including the following:

- > Water in hand basins switched off and hand sanitiser provided in bathrooms
- > Toilet flushing times reduced and rental of chemical portable toilets for "Day Zero"
- > Cleaners using spray bottles and half-filled water buckets for cleaning
- > Irrigation systems in gardens and on sports fields switched off

Installation of boreholes to run bathrooms, ablutions and for irrigation is being investigated.

Most of the ADvTECH sites manage recycling programmes to divert waste from landfill thereby reducing our environmental footprint.

Environmental targets were set to reduce utilities but requires accurate readings and measurements and is awaiting the new system that will be implemented by the group facilities department in 2019.

HUMAN CAPITAL *performance continued*



CORPORATE SOCIAL INVESTMENT (CSI)

Social commitment goes hand-in-hand with doing business today. Since ADvTECH's business is all about people development, education and imparting knowledge, CSI is an integral part of the company's operations and outreach. Our approach is directed towards education interventions with local disadvantaged communities. Education is important in promoting equality and is an enabling factor in transforming our society.

The group promotes participation in educational outreach projects that provide volunteer staff and students with a greater sense of belonging.

In line with the SDGs, herewith a few examples of how the ADvTECH students contributed, used their skills and made a difference to their communities:



The annual **Vega Brand Challenge** has the two-fold benefit of giving students 'live' client experience and a chance to showcase their skills, while the proceeds from the 'fee' are donated to a bursary scheme assisting young people from poorer backgrounds to attend a tertiary institution such as Vega in the future.

Rosebank College in Braamfontein ran a peer-to-peer programme at Home of Hope for Girls teaching computer skills while Rosebank College Pretoria visited Lerato House weekly to assist residents with their homework.

The 605 projects

supported during 2018 made a socio-economic contribution to the beneficiaries.



The group invested in bursary tuition to the value of more than **R174 million** (2017: R130 million) which also had a positive impact.



The **teacher bursary scheme**, launched in 2007, is aimed at addressing the need for high quality teachers in South Africa. In addition to completing their tertiary studies, bursary recipients are given the opportunity to practically apply their acquired skills within the group's schools. At the end of 2018, there were **12 active participants**.





BOARD *of directors*



CHRISTOPHER BOULLE 47

Chairman, Independent non-executive director



ROY DOUGLAS 61

Executive director, Group chief executive officer



JACQUELINE CHIMHANZI 45
(Dr)

Independent non-executive director



BRENDA GOURLEY 75
(Professor)

Independent non-executive director



JANE HOFMEYR 69
(Dr)

Independent non-executive director



JONATHAN JANSEN 62
(Professor)

Independent non-executive director



STAFFORD MASIE 44

Independent non-executive director



DIDIER OESCH 53

Executive director, Group financial director



KEITH WARBURTON 60

Independent non-executive director



JENS ZIMMERMANN 57

Independent non-executive director



SHIRLEY ZINN 57
(Professor)

Independent non-executive director



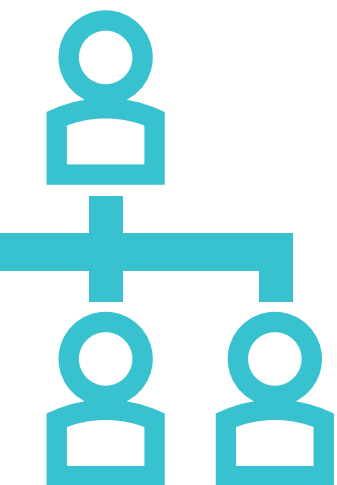
Mouse over images
to view CVs



Download



CORPORATE *governance* *report*



Effective corporate governance is the cornerstone upon which the management of the ADVTECH group is based.

The board acknowledges that it is responsible for ensuring that the principles of sound corporate governance are observed and incorporated into the leadership and management of the group. The directors, collectively and individually, acknowledge their responsibilities in terms of the South African Companies Act, No. 71 of 2008, as amended, (the Companies Act) and the King IV Report on Corporate Governance™ in South Africa (King IV™) and the JSE Listings Requirements.

The Board remains committed to the principles of King IV™ and continuously reassesses its internal controls, policies, terms of references, procedures and processes, against King IV™ and makes changes as and when appropriate.

ADVTECH has a unitary board structure that oversees the management and control structure, which, in turn, directs the organisation in its entirety. The board retains full and effective control over the group and monitors executive management's implementation of plans and strategies.

GOVERNANCE STRUCTURE

The board has the following committees

- > Audit committee
- > Investment committee
- > Nominations committee (NomCom)
- > Remuneration committee (RemCom)
- > Risk committee
- > Transformation, social and ethics committee (Tsec)

ADVTECH LIMITED BOARD

Executive and Non-executive directors

Executive committee (Exco)

Business units/divisions

The board has delegated authority to run the day-to-day affairs of the group to the group CEO and Exco. Exco facilitates the effective control of all the group's operational activities, acting as a decision-making body and a medium of communication and co-ordination between the various business units, group companies and the board.

Corporate
governance
continued

BOARD OF DIRECTORS

Composition

9

NON-EXECUTIVE DIRECTORS

- > A non-executive chair, who is considered to be independent and whose role is separate from that of the chief executive officer.
- > Eight other non-executive directors who are all considered to be independent.

2

EXECUTIVE DIRECTORS

- > Group chief executive officer
- > Group financial director

The board comprises an appropriate balance of knowledge, skills, experience, diversity and independence to fulfil its roles and responsibilities to stakeholders. The directors are drawn from different sectors and have a diverse range of experience in strategic and other relevant fields. There is a balance of power on the board and no one individual has unfettered powers to dominate the decision-making of the board.

Executive directors and prescribed officers have standard employment contracts, requiring no more than three months' notice on termination.



Read the directors' strategic value contributions

or at



www.advtech.co.za

CORPORATE *governance report continued*

The board's diversity

ADvTECH sees diversity at board level as an essential element in maintaining a competitive advantage. To this end, the ADvTECH board continues to strive for diversity, particularly from a gender perspective, as this will promote different perspectives and problem-solving approaches.

Subject to the needs of the ADvTECH board, the board aims to achieve a 50/50 gender balance by the end of 2020. Tsec will monitor performance in relation to this target and will recommend any changes to this target to the board for approval.



Chairman of the board

In line with best practice, the chairman of the board, CH Boule, is an independent non-executive director. The roles of chairman and CEO are separate, each with clearly defined responsibilities. A succession plan is in place for the position of the chairman.

Lead independent director

The board has appointed an independent non-executive director as its lead independent director who will lead in the absence of the chair and act as an intermediary between the chair and other members of the board where necessary.

Independence and performance

The board reviews the independence of directors on an ongoing basis and remains satisfied that they all demonstrate sound independence of judgement and mind. It is satisfied that there are no relationships or circumstances likely to affect their independence or judgement. When considering the classification of a director as an independent director, the board takes into consideration the circumstances as set out in King IV™ and the Companies Act.

A board evaluation was performed and did not reveal any significant areas of concern and concluded that the board and committees of the board effectively discharged their respective responsibilities.

An executive director's performance, in relation to key performance areas, as agreed at the beginning of each year, is assessed annually in accordance with the group's standard performance assessment processes.

In accordance with the principles of good governance, the board conducted an independence assessment of two long tenure non-executive directors, JD Jansen and BM Gourley, having served as independent non-executive directors for more than nine years. The board concluded that, in its view, JD Jansen and BM Gourley are still independent, since there is no interest, position, association or relationship which, when judged from the perspective of a reasonable and informed third party, is likely to influence unduly or cause bias in their decision-making. They both, in the board's opinion, have continued to exercise objective judgement.

CORPORATE *governance report continued*

Director tenure and committee membership

Director	King IV™ classification	Board tenure (years)	Audit committee	Risk committee	Remuneration committee	Tsec	Investment committee	Nominations committee
CH Boule	Board chairman and Independent non-executive director	6					Chair	Chair
JS Chimhanzi	Independent non-executive director	2.25	Member	Member				Member
RJ Douglas	Executive director – group CEO	3.4		Member		Member	Member	
BM Gourley	Independent non-executive director	10.8	Member	Chair			Member	Member
JM Hofmeyr	Independent non-executive director	2.25			Member	Member		Member
JD Jansen	Independent non-executive director	14.5				Chair		Member
SC Masie	Independent non-executive director	5		Member			Member	Member
JDR Oesch	Executive director – group FD	13.5		Member			Member	
KDM Warburton	Independent non-executive director	3.8	Chair		Member			Member
J Zimmermann	Independent non-executive director	1.1			Member		Member	Member
SA Zinn	Independent non-executive director	6.5			Chair	Member	Member	Member

* Composition of the committees as at 31 March 2019.

Process for appointments and removal of directors

The board, assisted by the nominations committee, is responsible for the appointment of new directors. The nominations committee evaluates suitable candidates and submits nominations to the board.

When determining the board's composition, different skills, experiences, personality types, ages, genders and races are considered in order to achieve a broad and diverse approach to business. When a vacancy is identified, the board will, on recommendation from the NomCom, determine the objective criteria to be met by a candidate. Whilst all board appointments are made on merit, a key requirement is gender diversity.

The appointment of a new director is subject to confirmation by shareholders at the first annual general meeting (AGM) held after their appointment. An induction programme is established for new directors. On appointment to the board, new directors visit the group's businesses and meet with senior management to facilitate their understanding of the group structure and their fiduciary responsibilities.

Despite the provisions of any contract, the company may, by ordinary resolution, remove any director from office and appoint another person in his/her stead. The company will at all times comply with Section 71 of the Companies Act in this regard.

Recent directorate changes

J Zimmermann was appointed to the board with effect from 24 April 2018 and is classified as an independent non-executive director.

Annual rotation and election

One third of all non-executive directors retire by rotation annually, and any director appointed by the board, either to fill a casual vacancy or as an addition to the board, is subject to election by the shareholders at the first AGM held after their initial appointment.

In accordance with the company's memorandum of incorporation and King IV™, JS Chimhanzi, JM Hofmeyr and KDM Warburton will retire by rotation and will stand for re-election by shareholders at the next AGM.

EXECUTIVE COMMITTEE (EXCO)

Exco is responsible for making recommendations to the board regarding the group's policies and strategies and for monitoring their implementation in accordance with the board's directives. It plays a role in monitoring risks applicable to the group and reporting on these, as well as putting forward recommendations on the action to be taken, to the board. This includes the annual insurance review and formal risk analysis.

Exco has access to the expertise of board members and meets with the board, at least once a year, to ensure that they share a common vision for the future of the group. The divisional CEOs and other Exco members attend board meetings when appropriate, in order to ensure that there is optimum alignment between the board and management in the implementation of the group's strategies.

At year-end, Exco consisted of two executive directors, two divisional CEOs (who are also identified as prescribed officers of the company) and five senior executives (one of which is also identified as a prescribed officer of the company). RJ Douglas, who is the group CEO, is currently also the acting divisional CEO of the tertiary division.

 [Read more about Exco](#)

CORPORATE *governance report continued*

Each of the group's three operating divisions (schools, tertiary and resourcing) have formal management structures that meet on a regular basis to ensure best practice in respect of corporate governance and internal controls.

BOARD COMMITTEES

The board has delegated some of its roles to the committees to assist in the execution of its duties. The board has established a number of statutory and other committees to assist it in fulfilling its duties and responsibilities more effectively. The delegation of authority to the board committees does not absolve the board from its duties and responsibilities and ultimate accountability.

Members of the board are appointed to committees based on their areas of expertise and experience. One of the members is appointed as chair of that committee. Where appropriate, a deputy chair may also be appointed.

Each committee operates within specific written terms of reference under which certain functions of the board are delegated with defined purposes, duties and reporting procedures. These terms of reference are reviewed regularly.

The board and its committees are furnished with full information ahead of each meeting, ensuring that all relevant issues are brought to the attention of directors for deliberation.

Board and committee meetings

The board charter requires each director to regularly attend meetings of the board and its committees. The table below records meetings attended by each member of the board and its committees during the course of 2018:

Director	Board		Audit committee		Risk committee		Remuneration committee		Tsec		Investment committee		Nominations committee	
	Meetings attended	Meetings held	Meetings attended	Meetings held	Meetings attended	Meetings held	Meetings attended	Meetings held	Meetings attended	Meetings held	Meetings attended	Meetings held	Meetings attended	Meetings held
CH Boule	5	5	3 (invitee)	3	3	3	5	5			4	4	1	1
JS Chimhanzi	5	5	3	3	3	3							1	1
RJ Douglas	5	5	3 (invitee)	3	3	3	5 (invitee)	5	3	4	4	4	1 (invitee)	1
BM Gourley	5	5	3	3	3	3			4	4	4	4	1	1
JM Hofmeyr ¹	5	5			3	3	2	2	4	4			1	1
JD Jansen	5	5							3	4			1	1
SC Masie ²	5	5			3	3					4	4	1	1
JDR Oesch	5	5	3 (invitee)	3	3	3	2 (invitee)				4	4		
KDM Warburton	5	5	3	3	3	3	5	5			4	4	1	1
J Zimmermann ³	4	4					2	2			1	1		
SA Zinn	4	5					5	5	4	4	3	4	1	1

Attendance by directors and committee members were in person or by teleconference or other electronic means.

1. JM Hofmeyr was appointed to the Remuneration Committee in September 2018.

2. SC Masie was appointed to the Investment Committee in March 2018.

3. J Zimmermann was appointed to the board in April 2018 and was appointed to the Investment Committee, Nominations Committee and Remuneration Committee in September 2018.

CORPORATE *governance report continued*

Audit committee

As required by the Companies Act, shareholders elect the members of the audit committee at the AGM. All members of the committee are independent as defined by the Companies Act. Terms of reference, approved by the board and adopted by the committee, set out the committee's functions and responsibilities.

The board has recommended that the following directors be appointed to the audit committee at the AGM in May 2019, to hold office until the following AGM:

- > KDM Warburton (chairman);
- > BM Gourley; and
- > JS Chimhanzi.

Executive directors, external auditors and the internal audit manager are invitees who regularly attend these committee meetings.

The audit committee met three times during the year. These meetings were attended by the internal and external auditors, the group CEO and group FD, as well as other board members and invitees as considered appropriate by the chairman of the audit committee.



Audit committee report

Risk committee

The board is responsible for the governance of risk in accordance with the group's strategy. While the risk committee has assumed responsibility for monitoring and overseeing the management of risk within the group, the board, Exco and the internal audit department continue to review and assess the integrity and the quality of risk control systems and ensure that risk policies and strategies are effectively managed.

Management of risk is regarded as an integral aspect of each manager's responsibility within the group. The group's major assets are insured against loss and this, together with the disaster recovery plan, will ensure that the business continues with the least amount of disruption.

External auditors and the internal audit manager are permanent invitees who regularly attend these committee meetings.

The board is satisfied that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the group.

The key focus areas of the committee during 2018 related to the refinement of the risk policies and the risk registers as well as the identification of an appropriate risk appetite and risk tolerance threshold.

Remuneration committee (RemCom)

The board has delegated oversight of remuneration to the RemCom, in accordance with King IV™, to ensure fair, transparent and responsible remuneration. All members of RemCom are independent non-executive directors.

The committee determines and approves the remuneration policy for all employees, and determines the remuneration packages for executive and senior management. The group CEO and the group HR executive attend the meetings by invitation, but do not participate in any deliberations regarding their own remuneration.



RemCom's composition

Transformation, social and ethics committee (Tsec)

Tsec is a statutory committee of the board appointed in terms of Section 72(4) of the Companies Act. Because the board regards transformation as a high priority, it has elected to combine the mandate of the social and ethics committee with that of the previously existing transformation committee. The committee, in terms of its broader mandate, is responsible for the oversight of and reporting on the group's ethics, responsible corporate citizenship, sustainable development, stakeholder relations and transformation. The committee takes into consideration the needs, interests and expectations of all material stakeholders in the best interest of the company.



Tsec report

Nominations committee (NomCom)

NomCom consists of all the non-executive directors and is chaired by the chairman of the board.

The role of the committee is to assist the board in ensuring that:

- > the board and its committees have the appropriate composition to effectively execute its duties;
- > directors are appointed through a formal process; and
- > induction and ongoing training and development of directors takes place.

The group CEO is an invitee who regularly attends these committee meetings.

NomCom is responsible for reviewing succession plans for the board and its committees to promote the short-, medium- and long-term strategic objectives of the group. There is currently a succession plan in place for the chairman of the board.

The committee is satisfied that it has fulfilled its responsibilities in accordance with the committee's terms of reference.

Investment committee

Members of the Investment committee comprise a mix of independent non-executive directors, the group CEO and the group FD. The majority of the members are independent non-executive directors.

The committee was established to assist the board:

- > to review and consider the financial and other aspects of material investment or disinvestment activity proposed by management and approved by Exco;
- > in the determination of the most appropriate and advantageous method of funding material investments and the best capital structure of the company in pursuing its investment strategy;
- > to approve acquisitions, disposals and capital expenditure in line with the limits of authority delegated to it and in line with the strategy determined by the board;
- > by making such recommendations as it considers appropriate to the board;
- > to conduct post implementation reviews of acquisitions and major investments; and
- > to assist in the acquisition strategy of the group.



CORPORATE *governance report continued*

COMPANY SECRETARY

The directors have access to the professional advice and services of the company secretary, DM Dickson, who was appointed on 22 June 2017 and whose appointment is in accordance with the Companies Act. The company secretary provides guidance and advice to the board on matters of ethics and good corporate governance and ensures compliance with statutory requirements.

The board is satisfied that the company secretary has the necessary qualifications, skill and level of competence necessary to effectively discharge her responsibilities and is considered to be a fit and proper person. An arm's length relationship exists as she is not a director of the company and has no separate relationship of any nature with any of the directors which could lead to any conflict of interest or dilution of the company secretary's independence.

DM Dickson resigned with her last day effective 31 March 2019. An announcement regarding a replacement will be made in due course.

COMPLIANCE GOVERNANCE

The board oversees compliance with the universal regulatory framework, in accordance with good governance. The audit committee is responsible for monitoring, assessing and reporting on any new developments within the regulatory framework and reporting on any significant changes to the board. A compliance framework was adopted and approved by the board.

The group endeavours to stay abreast of all intended or promulgated legislation. The following legislation and regulations continued to have a significant impact on the group:

- > Companies Act;
- > JSE Listing Requirements;
- > Employment Equity Act;
- > Broad-Based Black Economic Empowerment Act and related Codes of Good Practice;
- > The South African Schools Act;
- > The National Credit Act;

- > The Consumer Protection Act;
- > Value-Added Tax Act;
- > Income Tax Act;
- > Higher Education Act; and
- > General and Further Education and Training Quality Assurance Act.

The following areas continue to be key focus areas in 2019:

- > Protection of Personal Information Act (POPI);
- > Broad-based Black Economic Empowerment Act and related Codes of Good Practice;
- > King IV Report of Corporate Governance™ in South Africa;
- > Value-Added Tax Act;
- > Income Tax Act;
- > Employment Equity Act;
- > Higher Education Act;
- > Umalusi Policy and Criteria, upon publication of the final version, under the General and Further Education and Training Quality Assurance Act; and
- > Other applicable foreign legislation.

There were no material or repeated regulatory penalties, sanctions or fines for contraventions of statutory obligations in the 2018 financial year.

INSIDER TRADING

The group has a written policy on insider trading, adopted by the board, which states that no director, executive, manager or any employee who is likely to come into possession of price-sensitive information, may deal directly or indirectly in the company's shares during closed periods. The group adheres to the JSE Listings Requirements of at least two closed periods in each financial year. The first begins at the end of June until the publication of the interim results and the second at the end of December, the group's financial year-end, until the final audited results for the year are released. Further closed periods are declared as and when circumstances dictate.

Dealing in the company's shares by directors and members of Exco requires prior clearance from the chairman, and the company secretary retains a record of such dealings and approvals. Identified employees who are likely to have access to price-sensitive information require clearance from the group CEO before trading in the company's shares.

RELATED-PARTY TRANSACTIONS

Members of the board must disclose any conflict of interest they may have at board meetings, and as a matter of practice, are required to make disclosure of any potential conflicts of interest on an annual basis. During the year under review, no material contracts involving directors' interests were entered into.

Directors

JS Chimhanzi has been awarded a CrawfordSchools™ bursary for her child in terms of the group's bursary policy.

JDR Oesch has been awarded CrawfordSchools™ bursaries for his children in terms of the group's bursary policy.

Prescribed officers

The board has identified the divisional CEOs, MD Aitken and DL Honey as well as FC Coughlan, academic director, as prescribed officers in terms of the Companies Act. They are also members of Exco.

DL Honey has been awarded CrawfordSchools™ and Vega bursaries for his children in terms of the group's bursary policy. His brother, E Honey, is a director of Adams & Adams Attorneys, which firm provides legal services in respect of intellectual property to the group.

Exco

S van Zyl has been awarded CrawfordSchools™ and Vega bursaries for his children in terms of the group's bursary policy.

CORPORATE *governance report continued*



ETHICS

The board is responsible for and plays an important role in the establishment and maintenance of an ethical corporate culture within the group and its stakeholders. Integrity is fundamental to how the group conducts its business and is expressed in its values. The group's values are communicated to all employees during induction and emphasised regularly. Tsec oversees the group's adherence to these ethical standards. Group employees are required, at all times, to act with the utmost integrity and objectivity and in compliance with both the letter and the spirit of the law and group policies.

INFORMATION AND COMMUNICATION TECHNOLOGY GOVERNANCE

Information and Communication Technology (ICT) is regarded as an essential component in the management of the group's business, and is, therefore, dealt with at the highest levels. The board has primary responsibility for ICT governance and for ensuring that prudent and reasonable steps are taken to make ICT strategy an integral part of and aligned with the group's strategic objectives.

The ICT department is headed by the chief information officer (CIO) who is a member of Exco and has regular interaction with board members. A framework for the management of ICT within the group has been developed. A centralised ICT department is responsible for infrastructure and the overall architecture of the systems, while operations identify and manage technology for their respective business processes. The framework makes provision for an ICT steering committee under the chairmanship of the group CEO to co-ordinate ICT across the group and ensure appropriate distribution of resources. The ICT management committee provides a forum for practical implementation and problem solving by the operations.

ADvTECH aligns its ICT strategy and processes with the following frameworks:

- > COBIT – Control Objectives for Information and Related Technologies;
- > ITIL – Information Technology Infrastructure Library;
- > TOGAF – The Open Group Architecture Framework;
- > ISO 27001 Standard – Information Security Management;
- > PMBOK – Project Management Body of Knowledge; and
- > NIST – National Institute of Standard and Technology.

Strategic risks associated with ICT have been identified and are monitored, and the management of dealing with the identified strategic risks are overseen by the risk committee.

The group reviews its current technology on an ongoing basis, while considering opportunities to identify new and innovative technology that can be integrated into its strategy and processes. Security, disaster recovery and data management are also priority focus areas of the ICT department.

KING IV REPORT ON CORPORATE GOVERNANCE™ IN SOUTH AFRICA

A portfolio of evidence, setting out how the company has applied the principles of King IV™, is available on our website.



King IV™ register



REMUNERATION

committee report

The Remuneration Committee (RemCom), which is a committee of the ADvTECH Board, has the responsibility to oversee fair, responsible and transparent remuneration within the group.

The RemCom is pleased to present the ADvTECH Remuneration Report for the financial year ended 31 December 2018.

In line with the principles and recommended practices of the King Report on Corporate Governance for South Africa (King IV™), this Report is presented in three parts: Introduction (which includes a background statement), Remuneration policy overview and Implementation report.

PART 1: INTRODUCTION

Background statement

The group remains committed to creating a culture of high performance as well as to attract and retain high calibre individuals. Failure to attract and retain the right people may have a negative impact on the performance of the group and, consequently, on the returns to its stakeholders. ADvTECH remains a people centred business and therefore recognising and rewarding high performance is a key part of our remuneration philosophy.

In line with King IV™, the group's non-binding advisory vote on the remuneration policy was referred to shareholders for approval at the annual general meeting (AGM) held on the 31 May 2018. The inaugural implementation report will be presented to shareholders for approval at the AGM to be held on the 30 May 2019.

Results of the non-binding advisory vote	REMUNERATION POLICY 2018			REMUNERATION POLICY 2017		
	72.48%	27.51%	2.37%	80.93%	19.07%	1.52%
	Votes in favour	Votes against	Abstentions	Votes in favour	Votes against	Abstentions

Shareholder engagement

As shareholders representing more than 25% of the issued shares voted against the 2018 remuneration policy, engagements were held with dissenting shareholders. The purpose of this engagement was to ascertain reasons for dissenting votes, to address legitimate and reasonable objections and to amend or clarify our remuneration policy, governance and/or processes.

SHAREHOLDER FEEDBACK

Requested changes to the methodology used for setting targets for the Management Share Incentive (MSI) Scheme to a fixed percentage above CPI as opposed to a variable percentage currently being used

Inclusion of a background statement and the RemCom's philosophy regarding executive remuneration, specifically in relation to the mix of guaranteed pay and short- and long-term incentives

The Remuneration report should include a section on implementation and the board should give shareholders an opportunity to vote on the implementation report

More transparency required in terms of performance hurdles for both the Short-term Incentive (STI) and the Long-term Incentive (MSI)

The KPAs required to be achieved in terms of targets set STI are too heavily weighted towards financial targets. Shareholders would prefer a more appropriate mix of financial and non-financial KPAs to be set as targets to be achieved

The Remuneration report should include the maximum bonus and share awards that executive management can achieve and how these amounts were determined

ADvTECH RESPONSE

Amended our methodology accordingly

This report has been enhanced to include this additional information

The inaugural implementation report has been prepared and will be presented to shareholders for approval at the next AGM

Enhanced the disclosure to provide additional information for performance hurdles for both schemes

The STI scheme which ran for four years came to an end in 2018. The balance of financial and non-financial KPAs in the new scheme, that comes into effect for the 2019 financial year, has been amended in line with shareholders recommendations

This additional disclosure has been included in this report



REMUNERATION *committee report continued*

We believe that the engagement undertaken during the year is in line with King IV™'s intended outcome of understanding the legitimate and reasonable needs, interests and expectations of our key stakeholders and that all issues raised have been appropriately addressed. Going forward, shareholder engagements will continue in order to obtain their feedback on our remuneration policy and its implementation.

This is in line with our commitment to enhance our reporting, meet shareholder expectations and maintain accurate, transparent and relevant disclosure on the performance measures used to determine the award of short- and long-term incentives.

Fair and responsible pay

Principle 14 of King IV™ encourages governing bodies to ensure that organisations remunerate fairly, responsibly and transparently, to promote the achievement of strategic objectives and positive outcomes in the short-, medium- and long-term.

During the year, ADvTECH reviewed and approved the balanced scorecards for all executives, to ensure alignment with our strategic imperatives. A core component of the executive incentive scheme is to reward individual and team performance, based on individual and collective success and output in meeting agreed performance objectives. This performance-based remuneration philosophy is underpinned by a detailed and documented methodology approved by the RemCom and sound governance and management principles.

In 2019, the RemCom will continue to review the appropriateness of the principles of fair and responsible pay and will report any changes in the next remuneration report.

RemCom's focus areas

KEY FOCUS AREAS IN 2018

- > Approved the RemCom annual calendar for 2019
 - > Reviewed the preparation of the remuneration report and policy and its implementation thereof
 - > Obtained feedback from shareholders on ADvTECH's remuneration policy and responded accordingly
 - > Approved the alignment of the salary increase cycle for the education divisions to April. This transition to be managed over a two-year period
 - > Reviewed the talent pipeline at senior level across the group's three main divisions
 - > Approved mandate for salary increases
 - > Approved increases for employees on cost to company packages of above R1.5 million
 - > Approved cost to company packages for new employees on a cost to company package above R1.5 million
 - > Reviewed the fees payable to non-executive directors and proposed increases
 - > Approved LTI awards and targets
 - > Approved outcomes for STI for 2018
-
- > Oversee the review of the remuneration policy and practices to ensure alignment with King IV™
 - > Obtain feedback from shareholders on ADvTECH's remuneration policy and address any concerns that might arise in a transparent manner
 - > Review and approve the new STI bonus scheme
 - > Continue to ensure that the talent pipeline is maintained and that rewarding of top talent remains a priority
 - > Approve LTI awards and targets
 - > Approve outcomes for STI for 2019
 - > Review notice periods for executive directors and prescribed officers

Remuneration Committee opinion

The RemCom is of the view that:

- > Its mandate and actions comply with the principles as outlined in King IV™, the Companies Act 2008 and the JSE Listings Requirements. This is demonstrated by the composition of the committee as well as the disclosures provided in the report.
- > Members of the RemCom possess the required skills and experience to promote the principles of responsible remuneration within the group.
- > The implementation of the remuneration policy reflects the alignment between the group's strategic imperatives and the interests of the shareholders.
- > Based on the group's performance during the year under review the strategic imperatives have been partially met.
- > The appropriate structures exist, both at and below board level, to recognise and retain ADvTECH's top talent.

Members

All members of RemCom are categorised as independent non-executive directors. They are: SA Zinn (chair), JM Hofmeyr, KDM Warburton and J Zimmermann. JM Hofmeyr and J Zimmermann were appointed to the committee in September 2018 and subsequent to year-end CH Boule stepped down as a member.

RemCom meets as and when required and, during the year under review the committee met five times.

RemCom members	Feb 2018	Mar 2018	Apr 2018	Sept 2018	Nov 2018	Total attendance
SA Zinn (chair)	✓	✓	✓	✓	✓	5/5
CH Boule	✓	✓	✓	✓	✓	5/5
JM Hofmeyr				✓	✓	2/2
KDM Warburton	✓	✓	✓	✓	✓	5/5
J Zimmermann				✓	✓	2/2

Board approval

The RemCom reviewed and recommended the remuneration report to the board for approval, which was obtained on 14 March 2019.



REMUNERATION *committee report continued*

PART 2: REMUNERATION POLICY OVERVIEW

Remuneration philosophy

ADvTECH seeks to attract, retain, reward and develop high performing individuals within the group to promote the achievement of its strategic objectives and to ensure the group's long-term sustainability. As such, the group is committed to ensuring it remunerates fairly, responsibly and transparently in order to promote and advance diversity and transformation within the group.

We have developed competencies for identified key roles which, together with psychometric assessments, are used to validate the people we hire. It is our policy to implement performance goals against which we measure each individual's performance and reward. Our reward incentive structures are based on both short-term incentives and long-term incentives.

The following key principles of our philosophy shape and guide our remuneration policy and support value creation:

- > Attracting crucial skills to provide world-class education and recruitment.
- > Rewarding our employees for achieving strategic and operational priorities which in turn strengthens our ability to retain talented individuals.
- > Short-term incentives to recognise superior performance.
- > Long-term incentives as a retention and reward mechanism for key executives and managers to ensure continued alignment between management and stakeholder objectives for the long-term sustainability of the business.

Remuneration policy

The RemCom seeks to entrench a culture of high performance by aligning the group's remuneration philosophy with its business objectives, values and strategy. It also ensures that remuneration practices are based on principles of sound governance.

The independence of RemCom in determining the remuneration and bonus policies for all employees, and in reviewing and approving of remuneration and bonuses payable to executive management, is key to this process.

Conditions of employment are reviewed from time to time against best practice and, where necessary, improvements to conditions of employment are implemented with due regard to the cost implications and their impact on staff. In an education environment, non-material aspects (such as study leave and study assistance) are welcomed by employees.

A review of the remuneration policy and its implementation is therefore undertaken annually to ensure that it fulfils its purpose.

Benchmarking

The guaranteed remuneration and other benefits of executive directors, prescribed officers and other key senior executives are benchmarked periodically against the market and are aligned with group performance to ensure that remuneration packages remain competitive and appropriate.

Non-executive fees are benchmarked annually with the assistance of external consultants.

Remuneration structure

ADvTECH's remuneration structure consists of the three core elements:

- > Guaranteed remuneration;
- > Short-term incentive; and
- > Long-term incentive.

Remuneration is structured to attract and retain outstanding individuals and provide incentives for exceptional performance. This is achieved through a combination of guaranteed remuneration, incentive rewards of a short and long-term nature and conditions of service. Guidance is provided in the group's integrated remuneration policy, which seeks to combine and calibrate all forms of remuneration. Executive management is offered a remuneration structure similar to that of senior employees and management, and which consists of the same three elements.



Read more about
our investment in people



REMUNERATION *committee report continued*

Executive remuneration structure

Our remuneration policy seeks to achieve a suitable balance between guaranteed and variable remuneration. Variable short-term incentives and long-term incentives are each limited to a maximum of 100% for the group CEO of his guaranteed remuneration and 80% for the group FD.

Remuneration component	ADvTECH's policy	Type of pay
Guaranteed remuneration <i>Includes salary and employee benefits on a cost to company basis</i>	To reflect individual contribution and market value relative to the role and to recognise skill and experience It is determined based on the complexity of the role, market value and the ongoing review of the employee's personal performance and contribution to ADvTECH's overall performance and values Guaranteed remuneration is reviewed annually with increases taking effect in April The quantum of the annual increases is determined by considering factors such as prevailing economic conditions, inflation, group performance and affordability, change in responsibilities and internal and external benchmarks	Fixed pay Monthly payment after deducting contributions to retirement funding and medical scheme where applicable.
Short-term Incentive Bonus Scheme	Rewards management on achieving group performance and their KPAs. The participant's potential eligibility percentages will depend on the participant's job grade and the threshold for executive directors is as follows: > group CEO (maximum of 100% of guaranteed remuneration) > group FD (maximum of 80% of guaranteed remuneration)	Variable pay
Long-term Incentive (MSI)	Intended to attract and retain senior management and reward sustainable value creation that aligns with stakeholders interests over the long-term. The awarding of shares under this scheme is based on meeting agreed performance targets. See page 80 for further details on the MSI scheme. The maximum award in terms of the MSI scheme as follows: > group CEO (maximum of 100% of guaranteed remuneration) > group FD (maximum of 80% of guaranteed remuneration)	Variable pay

The group CEO and group FD's total achievable remuneration packages are therefore made up as follows based on the maximum targets under the short- and long-term incentives schemes:

	Guaranteed remuneration	Variable remuneration	
		Short-term incentive	Long-term Incentive
Group CEO	33%	33%	33%
Group FD	38%	31%	31%

The RemCom considers this to be an appropriate mix to reward achievement of both short-term and long-term objectives.

Short-term incentives

Objective

To reward the achievement of short-term individual and group objectives.

Eligibility

Executive directors, prescribed officers, senior executives and managers participate in an annual STI plan.

STI formula

The STI formula is as follows:

Bonus paid if targets are met:

Annual Guaranteed Package

X

Potential Eligibility (%)

X

Weighted average score of achievement

Balance scorecard

The RemCom has approved the following performance conditions and targets:

Financial KPAs:

- > Earnings before interest and taxation (EBIT)
- > Return on funds employed

Non-financial KPAs:

- > These KPAs are aligned to the group's strategic objectives and mitigation of key risks to ensure the long-term sustainability

Each executive's personal KPAs are aligned to the above, based on their portfolio and the areas under their influence

Committee discretion

The RemCom approves the targets, the measurement of their achievement against these targets and the resultant bonus to be paid. RemCom has discretion to award an ex-gratia bonus in exceptional circumstances, such as where an individual has delivered exceptional results in spite of the group or divisional performance not being met or where extraneous factors outside the control of executives are considered to have impacted on the overall performance resulting in the targets not having been met

No discretionary bonuses were granted under the year under review

REMUNERATION *committee report continued*

Long-term incentives: MSI Scheme

The MSI scheme which was approved at the AGM held on 31 May 2017 replaced the previous Share Incentive Scheme 2010 ("old scheme") that had been in operation since 18 May 2010. Annual awards of forfeitable shares in the form of performance and retention shares are made to eligible participants.

The shares automatically vest in full after three years, on the achievement of the set targets and provided the individual is in employment on the vesting date and a minimum individual performance rating has been achieved over the three-year period.

The first award (a total of 1 781 289 shares) was made on 28 September 2017 and vests in 2020. The second award (a total of 2 266 166 shares) was made on the 27 September 2018 and vests in 2021. Unvested shares carry dividend rights and voting rights. In order to be eligible to receive an award of forfeitable shares under the new MSI, participants were required to relinquish their rights under the old scheme and all rights to vesting of the old scheme from 2021 onwards were forfeited.

When considering retention, the RemCom takes the following into account:

- > Business critical skills;
- > Scarce skills;
- > Succession planning; and
- > Top performers.

The split in shares under the award favours performance-based targets over retention-based awards, with weightings being 75% performance and 25% retention for executives, and 60% performance and 40% retention for other participants.

The MSI scheme has been designed to promote:

- > good performance in relation to predetermined performance objectives;
- > retention of valuable skills and experience; and
- > better alignment of executive management with shareholders.

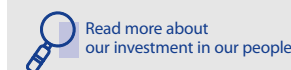
Objective

The objectives are:

- > drive the longer-term strategic and sustainable performance of ADvTECH
- > motivate participants to achieve the strategic objectives, thereby aligning shareholder and management interests
- > reward management for their contribution to the delivery of the long-term strategic objectives
- > attract future key talent in a competitive market with market-related variable earnings
- > retain key talent to ensure sustainable performance of ADvTECH
- > facilitate succession planning
- > alignment with current market practice and King IV™

Eligibility

Executive directors, prescribed officers, senior executives and managers participate in the MSI scheme



MSI formula

The MSI formula is as follows:

**Number of
shares
awarded**



**Weighted
average
score of
achievement**

Balance scorecard

The RemCom has approved the following performance conditions and targets:

Gateways:

- > achievement of the minimum average growth in normalised earnings per share (NEPS) target
- > achievement of the minimum return on funds employed target
- > achievement of a minimum individual performance rating

The participant must still be in the employ of the group at vesting date

Committee discretion

The RemCom has absolute discretion in the interpretation and application of the rules to the MSI to determine the following:

- > individual participants based upon retention need
- > level of awards based on market benchmarks
- > allocation of awards between performance and retention share
- > classification of termination (good or bad leaver) on a case-by-case basis
- > performance measures, weightings and targets
- > vesting period and basis of vesting

REMUNERATION *committee report continued*

Performance targets

Target 1

75%

NEPS

2017 awards

Compound annual growth rate of a minimum of 160% of the average CPI for the performance period with the maximum shares awarded at 247% of the average CPI

2018 awards

Compound annual growth rate of a minimum of the average CPI for the performance period with the maximum shares awarded at an average of CPI +7%

Target 2

25%

Return on Funds Employed (ROFE)*

2017 awards

Minimum target of 135% of the Weighted Average Cost of Capital (WACC)** with the maximum shares awarded at 165% of WACC

2018 awards

Minimum target of WACC +2% with the maximum shares awarded at WACC +6%

Shares are awarded proportionately between the minimum and maximum targets.

* The return on funds employed is calculated by dividing the normalised EBIT by the average funds employed for the year. The funds employed for each year is calculated by taking total assets for the year less cash balances and all non-interest-bearing liabilities.

** The average WACC that is applicable during the relevant performance period.

Termination of employment or office

Non-executive directors are appointed in terms of a formal letter of acceptance and are not required to service notice periods.

Executive directors, prescribed officers and other key senior management are employed on standard employment agreements. Employment contracts for executive management do not provide for termination payments arising from incapacity, dismissal, voluntary resignation, retirement, retrenchment or redundancy. In addition, no contracted balloon payments are due to executives upon termination.

Notice period

The following notice periods are in place:

	Notice period
Non-executive directors	None
Group CEO	2 months
Group FD	3 months
Prescribed officers	Varies between 2 and 3 months

Voting on the Remuneration Policy

The shareholders of ADvTECH will be requested to cast a non-binding advisory vote on the remuneration policy at the AGM on 30 May 2019.

Our remuneration policy sets out the principles used to ensure competitive remuneration while complying with all applicable laws and codes. It applies to the payments, accruals and awards made to executive directors, non-executive directors, senior executives and prescribed officers for the year ended 31 December 2018.



REMUNERATION *committee report continued*

PART 3: IMPLEMENTATION REPORT

Guaranteed remuneration – Executive directors, prescribed officers and senior executives

During 2018, the increases to executives' guaranteed remuneration were linked to CPI and adjusted according to individual performance ratings. The same method will be applied in 2019.

Short-term incentives

During the year under review, the NEPS target was not met.

Based on the group's balanced scorecard, additional non-financial performance goals or KPAs were formulated in line with our strategic objectives. These individual KPAs are aligned to the executive's area of influence.



Target:

Partially met

Largely met

Met

Targets measures



Growth

Achieved organically and through acquisitions



Academic excellence

Achieved through remaining up to date with developments in pedagogy and supporting tools, including technology and implementing those that will drive improved academic performance



Excellence through specialisation

Achieved by targeting high demand niche markets with special skills and continuously refreshed candidate database



Innovation

Customer focus

Proactively strive to understand the customer experience to simplify and improve their interactions with all parts of the business

Product innovation and business process improvement

Drive relevant and sustainable product development. Provide value adding services to enable our brands to focus on their core functions



Human productivity

Create conditions to attract and retain critical skills and high performance



Capital productivity

Achieved through identifying the most appropriate investment opportunities and leveraging the associated benefits while protecting and enhancing the respective assets for the best returns



Transformation

Aimed at achieving social and transformational justices to reflect our nations demographics.



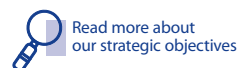
Reputation

Achieved through our customer value proposition and delivery of academic excellence

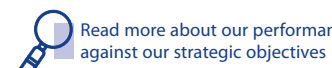


Regulations

Ongoing monitoring of the regulatory environment to mitigate any risk associated with non-compliance identified.



Read more about our strategic objectives



Read more about our performance against our strategic objectives



REMUNERATION *committee report continued*

Outcome of executive bonuses

The NEPS targets were not met for the year under review and therefore no bonus was earned in relation to this target. Bonuses approved for executives are due to their achievement against individual KPAs. The bonuses due to the group CEO and group FD are disclosed below.

Executive bonuses due for the year under review amounted to 13% (2017: 8%) of the total bonus opportunity.

Executive director, prescribed officer and senior executive remuneration

Executive directors' emoluments

Year ending 31 December 2018

	Salary R	Bonus R	Expense allowances R	Provident fund contributions R	Total 2018 R
RJ Douglas	3 787 295	492 000	186 000	505 830	4 971 125
JDR Oesch	2 665 153	503 000	150 000	358 932	3 677 085
Total executive	6 452 448	995 000	336 000	864 762	8 648 210
Prescribed officers					
MD Aitken	2 443 569	–	257 376	192 268	2 893 213
FJ Coughlan [#]	2 235 319	442 000	188 610	292 653	3 158 582
DL Honey	2 615 347	616 000	210 828	345 697	3 787 872
Total prescribed officers	7 294 235	1 058 000	656 814	830 618	9 839 667

[#] FJ Coughlan was identified as a prescribed officer with effect from 1 January 2018.

Executive directors' emoluments

Year ending 31 December 2017

	Salary R	Bonus R	Expense allowances R	Provident fund contributions R	Total 2017 R
Executive					
RJ Douglas	3 489 623		180 000	467 877	4 137 500
JDR Oesch	2 472 344		150 000	334 349	2 956 693
Total executive	5 961 967	–	330 000	802 226	7 094 193
Prescribed officers					
MD Aitken	2 225 542		246 792	175 916	2 648 250
DL Honey	2 470 948		202 212	323 206	2 996 366
A Isaakidis*	2 786 837		212 040		2 998 877
Total prescribed officers	7 483 327	–	661 044	499 122	8 643 493

* A Isaakidis retired with effect from March 2018, and will no longer be considered as prescribed officer for the year under review.



REMUNERATION *committee report continued*



Long-term incentives

MSI Scheme

A new MSI scheme was implemented in 2017. The directors and prescribed officers were awarded the following shares at 31 December 2018:

	Share awards as at 31 December 2017	Share awards awarded during the year	Share awards vested during the year		Share awards as at 31 December 2018
	Number	Number	Number	Benefit arising on vesting of awards (R)	Number
Directors					
RJ Douglas	246 806	301 758			246 806 301 758
JDR Oesch	140 105	171 300			140 105 171 300
Prescribed officers					
MD Aitken	128 624	155 793			128 624 155 793
FJ Coughlan	89 614	110 079			89 614 110 079
DL Honey	140 007	171 180			140 007 171 180
	745 156	910 110	–	–	1 655 266

Vesting outcomes

The 2017 and 2018 awards vest in 2020 and 2021 respectively. The performance against conditions can only be measured on vesting date and therefore there are no vesting outcomes to report.

REMUNERATION *committee report continued*

Share incentive scheme

The directors and prescribed officers held the following share options at 31 December 2018:

	Share options as at 31 December 2017		Share options exercised during the year			Share options as at 31 December 2018
	Number	Exercise price (cents)	Number	Market price at exercise date (cents)	Benefit arising on exercise of options (R)	Number
Directors						
RJ Douglas	300 000	580	300 000	1 478	2 694 000	–
	40 000	664				40 000
	83 333	820				83 333
	50 000	1 260				50 000
	55 533	1 696				55 533
JDR Oesch	30 000	580	30 000	1 497	275 100	–
	40 000	664				40 000
	41 667	820	41 667	1 402	242 502	–
	50 000	1 260				50 000
	41 100	1 696				41 100
Prescribed officers						
MD Aitken	11 667	1 696				11 667
FJ Coughlan	30 000	580	30 000	1 494	274 200	–
	72 000	1 260				72 000
	30 133	1 696				30 133
DL Honey	40 000	580	40 000	1 500	368 000	–
	40 000	664				40 000
	33 334	820	33 334	1 430	203 337	–
	80 000	1 260				80 000
	41 100	1 696				41 100
	1 109 867		475 001		4 057 139	634 866

No new awards have been granted since the introduction of the MSI scheme in 2017 and once existing options have been exercised, this scheme will be terminated.

Non-executive director remuneration

ADvTECH seeks to appoint and retain high calibre non-executive directors to ensure meaningful deliberations of the board.

The fees payable to non-executive directors were approved by special resolution of the shareholders at the AGM held on 31 May 2018, as required by the Companies Act.

The voting outcomes on the non-executive director fees were as follows:

	Votes in favour	Votes against	Abstentions
Non-Executive Directors' Fees 2018	99.99%	0.01%	0.13%
Non-Executive Directors' Fees 2017	99.28%	0.72%	0.16%

The RemCom recommends to the Board fees to be paid to non-executive directors during the year. Non-executive directors' remuneration is based on a combined annual retainer and a fee for attendance at meetings.



REMUNERATION *committee report continued*

Non-executive directors' fees for 2018

Non-executive directors' fees are based on attendance on Board, committee and adhoc committee meetings. An additional fee is payable to the chairman of the Board and Committees.

Non-executive director emoluments

	Board R	Audit committee R	Risk committee R	Remuneration committee R	Tsec R	Investment committee R	Consulting fees R	Total 2018 R	Total 2017 R
CH Boule	615 152	40 620	60 508	69 805	–	133 241	–	919 326	933 068
JS Chimhanzi	317 333	86 659	57 774	–	–	–	–	461 766	416 238
BM Gourley	380 799	103 991	130 336	–	91 615	86 857	75 000	868 598	911 142
JM Hofmeyr	317 333	–	57 774	38 743	76 346	–	–	490 196	411 370
JD Jansen	317 333	–	–	–	114 797	–	–	432 130	478 497
SC Masie	317 333	–	57 774	–	–	41 481	–	416 588	381 739
KDM Warburton	340 906	166 942	60 884	73 441	–	80 937	–	723 110	659 619
JS Zimmermann	295 518	–	–	36 062	–	30 675	–	362 255	–
SA Zinn	291 378	–	–	89 766	82 876	57 399	–	521 419	486 771
Total non-executive	3 193 085	398 212	425 050	307 817	365 634	430 590	75 000	5 195 388	4 678 444

An amount of R167 679 relating to value-added tax was paid on director fees.



REMUNERATION *committee report continued*

Annual fees payable to non-executive directors

The committee has proposed no increase in non-executive directors' fees for 2019, which will be tabled at the next annual general meeting, to be held on Thursday, 30 May 2019, for shareholder approval.

Annual fee: June 2018 to June 2019 (all fees are exclusive of VAT)

Board/Committee	2019		2018	
	Proposed retainer fee	Proposed fee per meeting attended	Retainer fee	Per meeting attended
Directors	194 664	25 955	194 664	25 955
Audit committee	53 090	11 798	53 090	11 798
Risk committee	35 393	7 866	35 393	7 866
Remuneration committee	36 506	5 899	36 506	5 899
Transformation, social and ethics committee	41 404	9 201	41 404	9 201
Investment committee	35 393	7 866	35 393	7 866

Additional fee payable to chairman of board/committee:

Board/Committee	2019		2018	
	Proposed retainer fee	Proposed fee per meeting attended	Retainer fee	Per meeting attended
Chairman of board	157 147	20 954	157 147	20 954
Audit committee	43 959	9 769	43 959	9 769
Risk committee	31 146	6 922	31 146	6 922
Remuneration committee	14 469	2 337	14 469	2 337
Transformation, social and ethics committee	29 383	6 530	29 383	6 530
Investment committee	31 146	6 922	31 146	6 922

A premium of 20% payable to non-resident non-executive directors was approved by shareholders and will be proposed for 2019.

Committee statement

The RemCom is satisfied that it has fulfilled its role and responsibilities in terms of its mandate and that the group's remuneration policy has achieved its objectives for the year under review.

Approval

The board, on recommendation of the RemCom, has approved the remuneration report on the 14 March 2019. Shareholders will be requested to cast a non-binding advisory vote on the implementation report at the AGM to be held on 30 May 2019.

On behalf of Remuneration committee

Professor SA Zinn

Chair: Remuneration committee
13 March 2019





TRANSFORMATION, SOCIAL AND ETHICS *committee report*

The Transformation, social and ethics committee (Tsec) assists the board in monitoring the group's performance against its social, ethical and transformational objectives and in ensuring the organisation is a good corporate citizen.

ADvTECH supports the principles of good corporate governance and adheres to the principles of ethical leadership, corporate citizenship, stakeholder inclusivity and sustainable development.

The board has delegated its role of monitoring and reporting on social, ethical, transformational and sustainable practices to Tsec, which in turn is required to draw matters within its mandate to the attention of the board at each of its scheduled meetings.

ADvTECH aims to build and grow a high-quality organisation in education, training and placement that is widely recognised for its passionate commitment and success in enriching people's lives and future. This is entrenched through our values of ethical conduct, people centeredness, high-quality education, sustainability, responsible leadership and respect.

This report has been prepared in accordance with the requirements of the Companies Act, No. 71 of 2008, as amended (the Companies Act) and describes how Tsec has discharged its statutory duties in terms of the Companies Act, as well as additional duties assigned to it by the board during the year under review.

COMMITTEE MEMBERS

Tsec comprises four suitably qualified and experienced independent non-executive members of the board and the group CEO:

JD JANSEN (Chair)

BM GOURLEY

SA ZINN

JM HOFMEYR

RJ DOUGLAS (CEO)



Subsequent to year-end BM Gourley stepped down as member of the Tsec committee.

The divisional CEOs of the operating divisions attend all meetings, as does the group HR executive and other members of management, at the request of the committee. Members' attendance at the meetings is contained in the schedules included in the corporate governance report.

The committee's mandate requires that the committee meets at least twice annually. During the year under review, the committee met four times.

The committee operates in terms of a formal mandate that sets out its terms of reference, composition, roles, responsibilities and statutory duties in terms of section 72 and regulation 43 of the Companies Act. The mandate is reviewed and, if appropriate, adjusted on a regular basis.



Read more
about sustainability

Tsec
report
continued

TRANSFORMATION, SOCIAL AND ETHICS *committee report continued*

ROLE AND RESPONSIBILITIES

In terms of its statutory duties, Tsec's role is to assist the board with monitoring and reporting on social, ethical, transformational and sustainability issues, including but not limited to:

- > monitoring the group's compliance with applicable legislation, including the Companies Act;
- > King IV™, the United Global Compact principles and the Organisation for Economic Co-operation and Development (OECD) recommendations;
- > monitoring and assessing progress in the group measured against annually approved targets for transformation signed off by the Department of Labour and informed by the Employment Equity Act and Broad-Based Black Economic Empowerment (B-BBEE) Act and Labour Relations Act;
- > monitoring corporate social investment (CSI) undertaken by the group within the operating divisions and at a corporate level;
- > monitoring the group's compliance with health and safety regulations and the environmental aspects of the business, including the promotion of equality, the prevention and combating of corruption, and compliance with public relations and consumer protection laws; and
- > monitoring and developing stakeholder relations.

In particular, during 2018:

- > the committee received reports with an overview of CSI projects undertaken by the group;
- > the committee monitored the group's efforts to encourage diversity and advance the objectives of equality throughout the group;
- > progress of the group towards defined transformation objectives and targets was measured and considered;
- > the group HR Executive provided a report at each meeting on labour and empowerment-related matters;
- > the provisions of the revised B-BBEE Codes of Good Practice were considered, as well as their implications for the group;
- > the group's B-BBEE ratings during the year were presented to, and considered, by the committee;
- > a review of all ADvTECH's policies to ensure appropriateness, fairness, relevance and alignment was launched. This included the benchmarking of ADvTECH policies against current best practice, and the drafting of new Recruitment and Non-Discrimination policies such as Bullying & Discrimination, HIV/Aids and Sexual Harassment, as well as a Narcotics policy. Salient details of the policies were simplified and re-packaged to be communicated to staff.



Read more in sustainability



TRANSFORMATION, SOCIAL AND ETHICS *committee report continued*

ETHICS

The board adheres to the principles of ethical leadership, an ethical culture, responsible corporate citizenship and inclusive stakeholder relations. The directors, individually and collectively, continue to cultivate the highest levels of integrity, competence, responsibility, fairness, transparency and accountability in executing their functions. Compliance with ethical standards of behaviour is of primary importance to the group and is expressed in the group's values. These values are fundamental to the way in which the group conducts its business and permeates its approach to all activities. The values are reviewed regularly to ensure that they remain current and relevant.

The board accepts responsibility for ensuring that the group's values are promoted throughout the group, and Tsec oversees adherence to them. The values are communicated to all employees during their induction and emphasised regularly. Employees are required to comply with both the letter and the spirit of the law, observe group policies, and act with integrity.



BROAD-BASED BLACK ECONOMIC EMPOWERMENT (B-BBEE)

Following amendments to the Codes of Good Practice for Broad-Based Black Economic Empowerment in 2015, the ADvTECH group, as a whole, is regarded as no longer being fully compliant with B-BBEE codes.

Subsequent to year-end, ADvTECH Resourcing (Pty) Ltd has been rated a Level 4 B-BBEE Contributor, as well as a Value Adding Enterprise. This results in a total Procurement Recognition level of 100% for the calculation of the weighted B-BBEE procurement spend.

We remain committed to transformation and have been consistently improving our B-BBEE scores from year to year. We are proud to have achieved the maximum number of 5 B-BBEE points due to our extensive contribution to socio-economic development.

We strive to continue to make further improvements and have implemented a number of initiatives in this regard.

EMPLOYMENT EQUITY

All employees are encouraged to develop to their full potential, both for their own benefit and for that of the group. The group actively promotes employment equity in all its operations. Our well developed talent review process is used to also identify black talent with high potential in order to develop them. Our management and leadership development programmes also focused on ensuring fair representation and participation by black talent. The year under review also saw a number of disability awareness campaigns run in order to educate our employees about different types of disabilities. To this end, a number of employees came forward to declare these disabilities and the group is working to support them and ensure a culture of inclusivity.

 [Read more about our development programmes](#)

Tsec remains focused on effecting changes in the hearts and minds of employees, educators and students to bring about the necessary social transformation within the organisation.

Reporting

Tsec is of the view that, in all material respects, it has achieved its objectives for the year under review and that no items have been reported which would indicate non-compliance with the mandate of Tsec or its statutory requirements in terms of the Companies Act.

On behalf of the transformation, social and ethics committee



Professor JD Jansen

Chair: Transformation, social and ethics committee

8 March 2019



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Crawford International School, Kenya





DIRECTORS' *responsibility for financial reporting*

The directors of the company are responsible for the maintenance of adequate accounting records and the preparation and integrity of the annual financial statements and related information. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act, No 71 of 2008, as amended, and the JSE Limited Listings Requirements. The group's external auditors, Deloitte & Touche, have audited the financial statements and their unmodified report appears on pages 94 to 96.

The directors are also responsible for the systems of internal control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect material misstatement and loss. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The annual financial statements are prepared on a going concern basis. Nothing has come to the attention of the directors to indicate that the group and company will not remain a going concern for the foreseeable future.

The preparation of the group's consolidated financial statements for the year ended 31 December 2018 was supervised by JDR Oesch CA(SA), the group's financial director.

The annual financial statements set out on pages 97 to 159 were approved by the board of directors on 14 March 2019 and are signed on its behalf by



CH Boule
Chairman



RJ Douglas
Chief executive officer



JDR Oesch
Group financial director

CERTIFICATE *by Group company secretary*

I certify that ADvTECH Limited has lodged with the Companies and Intellectual Property Commission (CIPC) all such returns as are required of a public company in terms of the Companies Act, No 71 of 2008, as amended, and that all such returns are true, correct and up to date.



DM Dickson
Group company secretary

14 March 2019



INDEPENDENT *auditor's report*

to the shareholders of ADvTECH Limited

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of ADvTECH Limited (the group) set out on pages 101 to 159, which comprise the statements of financial position as at 31 December 2018, and the statements of profit or loss, statements of other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the group as at 31 December 2018, and its consolidated and separate financial performance and consolidated and separate 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 and Separate 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 and separate 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. There were no key audit matters identified for the separate financial statements.

Key audit matter	How the matter was addressed in the audit
Valuation of allowance for doubtful debts	
The group reflected R449.1 million (2017: R362.3 million) worth of trade receivables as at 31 December 2018 as disclosed in note 22 to the consolidated financial statements against which an allowance for doubtful debts of R237.9 million (2017: R172.6 million) has been recognised. The group is required by the applicable accounting standards to determine and recognise an appropriate allowance for doubtful debts based on future expected credit losses. Due to the nature of the group's education operations, debtors are expected to be settled within the financial and academic year they arise and therefore debtors outstanding beyond this period would be at risk of non-recovery. Determining the value of provisioning required against the trade receivables balance requires a high degree of judgement and estimate by the directors. In determining the allowance for doubtful debts, the director's valuation incorporates a number of key judgements and estimates which include the projection of the amounts and timing of future cash inflows related to the receivables. Accordingly, the determination of the allowance for doubtful debts is considered to be a key audit matter.	Our audit procedures focused on the evaluation of the key judgements and estimates used in the directors' determination of the allowance for doubtful debts. The procedures on key judgements and estimates included: • Assessing the design and implementation testing of key controls; • Comparison of historical projected cash inflows to actual inflows to assess the accuracy and reasonableness of the directors' projections and the assumption that historical collections are a reasonable basis for determining future collections; • Analysis of the provision for doubtful debts at a brand level as a proportion of total debtors and revenue to identify and investigate unusual fluctuations; • Comparison of the ageing of receivables over a period of time to identify unusual trends; • Analysing projected cash flows to determine if they are supportable given future expected performance; • Testing the mathematical accuracy of the valuation; • Assessing the impact of IFRS 9 'Financial Instruments' ('IFRS 9') on the allowance for doubtful debts; and • Evaluating the disclosure in the consolidated financial statements. We found the key judgements applied and the estimates used by the directors to be appropriate based on historical performance, anticipated future outlook and current circumstances. We considered the disclosure of the allowance for doubtful debts to be adequate.
Capitalisation of property costs	



Key audit matter	How the matter was addressed in the audit
Note 13 of the consolidated financial statements discloses that the group made significant additions to land and buildings of R341.2 million (2017: R521.0 million). These amounts include an amount related to the construction of new buildings and upgrades to existing buildings. The quantum of capital expenditure requires the directors to apply a high degree of judgement in considering the nature of costs incurred to ensure that capitalisation of property costs meets the recognition criteria in terms of IAS 16, 'Property, Plant and Equipment' ("IAS 16"), in relation to assets constructed by the group, and has therefore been identified as a key audit matter.	Our audit work included • Assessing the design and implementation of key controls; • Testing the nature of property costs capitalised by the group to test the validity of amounts capitalised and evaluating whether assets capitalised meet the recognition criteria set out in IAS 16; • Examining the method on which the directors accrued for property costs where construction of an asset occurs over an extended period of time with reference to project reports and other supporting evidence reports; • Evaluating the judgement used by the directors for determining the costs to be capitalised; and • Assessing whether the disclosure provided against the relevant accounting standards. The judgement applied by the directors in the capitalisation of property costs was assessed to be appropriate. The related disclosure is sufficient.

Other information

The directors are responsible for the other information. The other information comprises the directors' report, the audit committee's report and the 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 and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate 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 and separate 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 and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, 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 and Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting

Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group's and the company'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 and/or the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 and separate financial statements.

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



INDEPENDENT *auditor's report*

to the shareholders of ADVTECH Limited (*continued*)

- Identify and assess the risks of material misstatement of the consolidated and separate 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 and the company'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 and the company'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 and separate 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 and/or the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate 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.

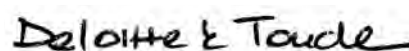
We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors 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 directors, we determine those matters that were of most significance in the audit of the consolidated and separate 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 Deloitte & Touche has been the auditor of ADVTECH Limited for 17 years.



Deloitte & Touche
Registered Auditor
Per: H Loonat

Partner

18 March 2019

Deloitte & Touche
 The Woodlands Office Park,
 20 Woodlands Drive,
 Woodmead, 2052,
 South Africa

National Executive: *LL Bam **Chief Executive Officer;**
***TMM Jordan Deputy Chief Executive Officer;**
Clients & Industries *MJ Jarvis **Chief Operating Officer;**
***AF Mackie Audit & Assurance** *N Sing **Risk Advisory;**
 DP Ndlovu **Tax & Legal;** TP Pillay **Consulting;** *JK Mazzocco
Talent & Transformation; MG Dicks **Risk Independence & Legal;** *KL Hodson **Financial Advisory;** *TJ Brown **Chairman of the Board.**

A full list of partners and directors is available on request.

** Partner and Registered Auditor*

B-BBEE rating: Level 1 contributor in terms of the DTI Generic Scorecard as per the amended Codes of Good Practice.

Associate of Deloitte Africa, a Member of Deloitte Touche Tohmatsu Limited.



AUDIT *committee report*

The audit committee is an independent statutory committee appointed in terms of Section 94(7) of the Companies Act, with further duties being delegated to the committee by the board. This report covers both sets of duties.

Membership and meetings

The committee members are all non-executive directors and satisfy the requirements of independence as required by the Companies Act. The members of the audit committee have the necessary financial literacy, skills and experience to effectively execute their duties.

The board recommends that the following directors, who are current members of the committee, stand for re-election by shareholders at the annual general meeting (AGM) on 30 May 2019 to hold office until the following AGM:

- KDM Warburton (chairman);
- BM Gourley; and
- JS Chimhanzi.

The committee meets at least three times per year as required by its terms of reference. Meetings are attended by the internal and external auditors, the group chief executive officer (CEO) and group financial director (FD), as well as other board members and invitees as considered appropriate by the committee's chairman.

The audit committee's terms of reference provide for confidential meetings between committee members and the internal and external auditors without executive management being present. The internal and external auditors have unrestricted access to the committee.

Role and responsibilities

The audit committee's duties and responsibilities are a combination of statutory and oversight duties to ensure the effectiveness of the internal and external assurance providers, information technology (IT), compliance and finance functions. It also assists the board in discharging its responsibilities to ensure that proper accounting records are maintained, oversees the financial reporting process and ensures compliance with accounting policies, group policies, legal requirements and internal controls.

The committee is responsible for the appointment of the auditors, agreeing fees payable to them and settling on the terms of their engagement, and provides recommendations to the board with regard to:

- ensuring compliance with applicable legislation and the requirements of regulatory authorities;
- matters relating to financial accounting, accounting policies, reporting and disclosure;
- internal and external audit policy;
- activities, scope, adequacy and effectiveness of the internal audit function and audit plans;

- reviewing and approving external audit plans, findings, reports and fees;
- ensuring that non-audit services will not be obtained from the external auditors where the provision of such services could impair audit independence;
- reviewing and recommending the approval of interim and annual results; and
- reviewing, considering and making recommendations regarding distributions or dividend payments to shareholders.

Internal control

The board and Exco are ultimately responsible for overseeing the establishment of effective internal control systems to provide reasonable assurance that the group's financial and non-financial objectives are achieved.

Internal controls are implemented through the proper delegation of responsibility within a clearly defined approval framework, accounting procedures and adequate segregation of duties. The group's internal accounting controls and systems are designed to provide reasonable assurance as to the integrity of the group's financial statements and to safeguard, verify and maintain accountability for all its assets.

The internal audit department monitors the operation of the internal controls and systems and reports their findings and recommendations to management and the audit committee. Corrective action is taken by management to address control deficiencies and improve systems where opportunities are identified.

The internal control and risk management process is ongoing and was considered effective at the date of approval of the annual financial statements.

Integrated annual report 2018

The committee will evaluate the integrated annual report for the year ended 31 December 2018 and will ensure it is satisfied that it complies in all material respects with the requirements of the Companies Act, the IIRC's International (IR) Framework, King IV, IFRS and the JSE Listings Requirements.

Internal audit

The group's internal audit department has a specific mandate from the audit committee to independently appraise the adequacy and effectiveness of the group's internal controls, governance and risk management processes. The department, headed by the group internal audit manager, reports functionally to the chair of the audit committee and on an administrative basis to the group FD with direct access to the group CEO.

The internal audit coverage plan, which is subject to approval by the audit committee and updated annually, covers all major risk areas as identified and assessed by internal audit and the group's risk management process. This ensures that the audit coverage is focused on and identifies areas of high risk.



AUDIT *committee report*

(continued)

Internal audit provides an annual written assessment of the system of internal financial controls to the board and the audit committee. Nothing has come to the attention of the audit committee to indicate that any material breach of these controls has occurred during the year under review.

Accounting and auditing

The directors are responsible for ensuring that the group maintains adequate records and reports on the financial position of the group and the results of activities with accuracy and reliability. Financial reporting procedures are applied at all levels in the group to meet this responsibility. The external auditors are responsible for independently auditing and reporting on these financial statements in accordance with the various IFRSs and the Companies Act.

The external auditors, Deloitte & Touche, were given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the board of directors, Exco and committees of the board.

The external auditors provide an independent assessment of systems of internal financial control to the extent necessary, for the audit, and express an independent opinion on whether the financial statements are fairly presented.

The external and internal auditors have unrestricted access to the audit committee to ensure that their independence is in no way impaired. At least once annually (but generally prior to every meeting), the audit committee chairman meets independently with representatives of internal and external audit. Time is also set aside at least once a year (but generally at the end of every meeting) for the committee to meet independently of executive management with representatives of the internal and external auditors.

The audit committee is satisfied with the independence of Deloitte & Touche, the quality of the audit process and the extent of the non-audit services provided.

Finance function

The audit committee has considered and is satisfied with the continued appropriateness of the expertise and experience of the group FD, JDR Oesch CA(SA), and the finance function.

Reporting

The committee has discharged all its responsibilities and carried out all its functions as contained in its terms of reference and as required by the Companies Act. In particular, the committee:

- reviewed the interim and annual financial statements (and press announcements) and recommended them for adoption by the board;
- approved the internal audit terms of reference and audit plans;
- received and reviewed reports from both internal and external auditors, which included commentary on the effectiveness of the internal control environment, systems and processes and, where appropriate, made recommendations to the board;
- reviewed the independence of the external auditors, Deloitte & Touche, and will recommend them for re-appointment as auditors for the 2019 financial year at the AGM, with H Loonat as the designated auditor;
- reviewed the external auditor's report and key audit matters;
- determined the terms of engagement of the external auditors and the fees to be paid;
- concluded that, with mandated partner rotation and policies and procedures in force, the risk of familiarity between the external auditor and management is mitigated;
- determined the nature and extent of non-audit services that may be provided by the external auditors and pre-approved the contract terms for the provision of non-audit services by the external auditors; and
- received and dealt appropriately with complaints, from within or outside the group, relating to the accounting practices and internal controls of the group, to the content or auditing of its financial statements, the internal financial controls or any related matter, potential violations of the law and questionable accounting or auditing matters.

On behalf of the audit committee



KDM Warburton

Chairman: Audit committee

13 March 2019



DIRECTORS' *report*

for the year ended 31 December 2018

Your directors have pleasure in presenting their report on the activities of the group and company for the year ended 31 December 2018.

Nature of business

The ADvTECH group is one of the largest diversified education, training and placement groups in South Africa. ADvTECH Limited (registration number 1990/001119/06) is listed in the Specialised Consumer Services sector of the JSE Limited (JSE) (JSE code: ADH and ISIN number: ZAE 0000 31035). The schools division offers quality pre-primary, primary and secondary education, while the tertiary division offers quality education on diploma, degree and postgraduate levels via face-to-face and distance learning. The resourcing division is a significant force in niche areas of the placement industry, especially in IT, finance and engineering.

Financial results

The results for the year ended 31 December 2018 are set out herein.

Stated capital

The number of shares in issue during the year under review:

Number of shares in issue at 31 December 2017	544 368 530
Number of shares in issue at 31 December 2018	546 612 919

There were no repurchases of shares in the company by the group during the year. All shares are fully paid up and none are encumbered.

Dividends

The significant investment opportunities available to the group and the associated capital expenditure requires that the company considers additional cash preserving measures. This has previously been signalled by the board with a steady increase in dividend cover in recent reporting periods. Capital commitments amount to R1.9 billion, inclusive of the purchase consideration for the acquisition of Monash South Africa, and will largely be funded by way of additional debt. Taking these commitments into account, together with the continuing challenging economic environment, the board has decided it would be prudent and responsible to further preserve cash and have therefore reduced the dividend pay-out during this high capital investment period.

The board is pleased to announce the declaration of a final gross dividend of 15.0 cents (2017: 19.0 cents) per ordinary share in respect of the year ended 31 December 2018. This brings the full year dividend to 30.0 cents (2017: 34 cents) per share.

This is a dividend as defined in the Income Tax Act, 58 of 1962, as amended, and is payable from income reserves. The South African dividend taxation (DT) rate is 20%. The net amount payable to shareholders who are not exempt from DT is 12.0 cents per share, while it is 15.0 cents per share to those shareholders who are exempt from DT. The total dividend amount payable is R82 million.

Events after the reporting period

The acquisition of Monash South Africa, which was concluded during 2018 and is subject to conditions precedent, will be implemented subsequent to year end once these conditions are fulfilled.

The transaction consideration will entail an amount of R343 million, plus cash on hand and working capital adjustments at the effective date.

Other than noted above, the directors are not aware of any other matter or circumstance occurring between the date of the statement of financial position and the date of this report that materially affects the results of the group for the year ended 31 December 2018 or the financial position at that date.

Compliance with King IV

The ADvTECH group is committed to the principles of effective corporate governance and adheres to the principles of King IV. A detailed analysis of the group's compliance with these principles can be found on the website at www.advtech.co.za.

Special resolutions adopted by the company

The company passed the following special resolutions at the AGM of shareholders held on 31 May 2018:

- non-executive directors' fees for the period 1 July 2018 to 30 June 2019;
- authority to make payment for the shortfall in non-executive director fees;
- authority to make loans or give financial assistance to subsidiaries and related or inter-related companies; and
- general authority to acquire the company's own shares.

Special resolutions adopted by subsidiary companies

Special resolutions in terms of section 45 of the Companies Act, 71 of 2008, as amended (the Act), were passed by certain subsidiaries of the company with general authority to provide financial assistance to related and inter-related companies. No other special resolutions were passed by subsidiaries.

Directorate

J Zimmermann was appointed as an independent non-executive director of the board with effect from 24 April 2018. His appointment was confirmed by shareholders at the AGM on 31 May 2018.

In accordance with the provisions of the company's Memorandum of Incorporation (Mol), one third of all non-executive directors will retire by rotation at the forthcoming AGM. JS Chimhanzi, JM Hofmeyr and KDM Warburton being eligible, have offered themselves for re-election.



DIRECTORS' *report*

for the year ended 31 December 2018 (continued)

Interests of directors and prescribed officers

As at 31 December 2018, the directors' and prescribed officers' beneficial and non-beneficial, direct and indirect interests in the issued share capital of the company were 2% (2017: 2%) in aggregate. The interests of directors and prescribed officers is as follows:

	Beneficial				Non-beneficial			
	Direct		Indirect		Direct		Indirect	
	2018	2017	2018	2017	2018	2017	2018	2017
Directors								
CH Boule	3 549	3 549	–	–	–	–	–	–
JS Chimhanzi	–	–	–	–	–	–	–	–
RJ Douglas	445 278	185 278	–	–	–	–	–	–
BM Gourley	–	–	–	–	–	–	–	–
J Hofmeyr	–	–	–	–	–	–	–	–
JD Jansen	–	–	–	–	–	–	–	–
SC Masie	–	–	–	–	–	–	–	–
JDR Oesch	2 010 562	1 993 895	–	–	–	–	37 312	37 312
KDM Warburton	–	–	–	–	–	–	–	–
J Zimmermann	–	–	–	–	–	–	–	–
SA Zinn	–	–	–	–	–	–	–	–
Prescribed officers								
MD Aitken	10 900	10 900	–	–	–	–	–	–
FJ Coughlan	139 595	139 595	–	–	–	–	4 000	4 000
DL Honey	8 264 292	9 117 289	–	–	–	–	128 388	128 388
A Isaakidis*	–	1 924 975	–	–	–	–	–	–
Totals	10 874 176	13 375 481	–	–	–	–	169 700	169 700

* A Isaakidis retired with effect from March 2018.

At the date that this financial report was prepared, none of the current directors or prescribed officers of the group have disposed of any of the shares held by them as at 31 December 2018.

Acquisitions

The group acquired The Makini School Limited (Makini) during the year under review. This acquisition is in line with the published expansion programme. As part of the group's expansion strategy, ADvTECH acquired 71% of Scholé (Mauritius) Limited which owns 100% of Makini. The Makini group in Kenya added seven schools, three campuses, boarding facilities and approximately 3 197 students to the group's portfolio. Further details on this acquisition is detailed in note 36 on pages 148 to 149.



Auditors

Deloitte & Touche, who have been the auditors of the group since 2002, continued in office as auditors of the company and its subsidiaries during the year under review. The 2018 audit is the third audit under the management of H Loonat, the lead independent external auditor.

The audit committee has nominated Deloitte & Touche for re-appointment as auditors of the group and, at the AGM, shareholders will be requested to re-appoint them as the independent external auditors of the company and its

subsidiaries, and to confirm H Loonat as the lead independent external auditor.

Company secretary

The company secretary is DM Dickson. Subsequent to the year-end, the company secretary resigned with effect from 31 March 2019. An announcement regarding a replacement will be made in due course. The company secretary's address, as well as the address of the registered office of the company, is:

Business address: ADvTECH House, Inanda Greens Office Park,
54 Wierda Road West, Wierda Valley,
Sandton, 2196

Postal address: PO Box 2369, Randburg, 2125

Email address: groupsec@advtech.co.za





CONSOLIDATED *segmental report*

for the year ended 31 December 2018

	Percentage increase/ (decrease)	Audited 2018 R'm	Restated* Audited 2017 R'm
Revenue	11%	4 389.0	3 937.7
Schools	15%	2 008.8	1 742.1
– South Africa	11%	1 877.4	1 685.1
– Rest of Africa	131%	131.4	57.0
Tertiary	10%	1 718.5	1 555.7
Resourcing	4%	669.5	643.8
Intra group revenue		(7.8)	(3.9)
Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA)	14%	942.1	823.3
Schools	4%	427.3	411.9
– South Africa	6%	420.2	397.2
– Rest of Africa	(52%)	7.1	14.7
Tertiary	23%	470.3	382.6
Resourcing	13%	46.5	41.1
Corporate action costs		(2.0)	(12.3)
Depreciation and amortisation	16%	179.4	155.3
Schools	13%	96.2	85.1
– South Africa	10%	90.4	82.0
– Rest of Africa	87%	5.8	3.1
Tertiary	24%	75.8	61.2
Resourcing	(18%)	7.4	9.0
Operating profit before interest and non-trading items	14%	762.7	668.0
Schools	1%	331.1	326.8
– South Africa	5%	329.8	315.2
– Rest of Africa	(89%)	1.3	11.6
Tertiary	23%	394.5	321.4
Resourcing	22%	39.1	32.1
Corporate action costs		(2.0)	(12.3)
Property, plant and equipment and proprietary technology systems	12%	4 016.4	3 575.9
Schools	14%	3 097.8	2 727.3
– South Africa	7%	2 779.8	2 608.5
– Rest of Africa	168%	318.0	118.8
Tertiary	8%	911.0	841.0
Resourcing	0%	7.6	7.6
Current assets	30%	571.4	438.6
Schools	89%	389.9	206.8
– South Africa	79%	316.9	177.5
– Rest of Africa	149%	73.0	29.3
Tertiary	(24%)	128.6	168.6
Resourcing	(16%)	52.9	63.2
Total liabilities	16%	3 111.3	2 687.5
Schools	26%	2 462.7	1 958.5
– South Africa	13%	2 218.9	1 955.3
– Rest of Africa		243.8	3.2
Tertiary	(7%)	586.2	632.4
Resourcing	(35%)	62.4	96.6
Capital expenditure	(22%)	555.5	712.6
Schools	(18%)	423.1	514.3
– South Africa	(44%)	260.5	464.4
– Rest of Africa	226%	162.6	49.9
Tertiary	(34%)	128.8	195.1
Resourcing	13%	3.6	3.2

The schools division has been split into two categories of disclosure in line with the categories utilised by the chief operating decision maker.

* The restatements as described in the statement of profit or loss and the statement of financial position have been adjusted for in the segmental report.



CONSOLIDATED STATEMENT *of profit or loss*

for the year ended 31 December 2018

	Notes	Audited 2018 R'm	Restated* Audited 2017 R'm
Revenue	5	4 389.0	3 937.7
Placement cost of sales		(376.1)	(368.0)
Staff costs	6	(1 970.1)	(1 755.9)
Rent and occupancy costs		(348.0)	(285.3)
Other operating expenses		(752.7)	(705.2)
Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA)		942.1	823.3
Schools		427.3	411.9
– South Africa		420.2	397.2
– Rest of Africa		7.1	14.7
Tertiary		470.3	382.6
Resourcing		46.5	41.1
Corporate action costs		(2.0)	(12.3)
Depreciation and amortisation	6	(179.4)	(155.3)
Operating profit before interest and non-trading items		762.7	668.0
Non-trading items		(37.5)	(31.1)
Impairment of intangible assets	16	(3.2)	–
Settlement of contingent consideration	39	(34.3)	–
Fraud adjustments	11	–	(31.1)
Operating profit before interest	6	725.2	636.9
Net finance costs		(132.7)	(99.1)
Interest earned	7.1	3.7	3.9
Finance costs incurred	7.2	(136.4)	(103.0)
Profit before taxation		592.5	537.8
Taxation	8	(185.0)	(160.1)
Profit for the year		407.5	377.7
Profit for the year attributable to:			
Owners of the parent		397.4	367.0
Non-controlling interests		10.1	10.7
		407.5	377.7
Earnings per share			
Basic (cents)	9	74.2	68.7
Diluted (cents)	9	74.1	68.6

* The restatement relates to the adoption of IFRS 15. Refer to note 4.

CONSOLIDATED STATEMENT *of other comprehensive income*

for the year ended 31 December 2018

	Audited 2018 R'm	Restated* Audited 2017 R'm
Profit for the year	407.5	377.7
Other comprehensive income, net of income taxation		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences on translating foreign operations	52.6	(6.4)
Total comprehensive income for the year	460.1	371.3
Total comprehensive income for the year attributable to:		
Owners of the parent	443.5	361.3
Non-controlling interests	16.6	10.0
	460.1	371.3



CONSOLIDATED STATEMENT *of financial position*

as at 31 December 2018

	Notes	Audited 2018 R'm	Restated* Audited 2017 R'm	Restated* Audited 2016 R'm
Assets				
Non-current assets				
Property, plant and equipment	13	3 943.1	3 512.6	2 788.7
Proprietary technology systems	14	73.3	63.3	45.3
Goodwill	15	1 465.6	1 305.3	1 170.1
Intangible assets	16	211.0	208.3	206.6
Deferred taxation assets	19	12.6	13.5	9.8
Investment in joint arrangement	20	6.2	–	–
Investment	20	–	12.0	12.0
		5 711.8	5 115.0	4 232.5
Current assets				
Inventories	21	19.8	8.0	6.7
Trade and other receivables	22	261.8	288.4	215.5
Taxation		16.6	–	–
Prepayments		44.3	32.3	52.2
Bank balances and cash	23	228.9	109.9	128.2
		571.4	438.6	402.6
Total assets		6 283.2	5 553.6	4 635.1
EQUITY AND LIABILITIES				
Capital and reserves				
Stated capital	25	1 514.0	1 481.9	1 481.9
Share incentive reserve		16.8	23.6	25.3
Foreign currency translation reserve		51.8	(0.8)	5.6
Shares held by the Share Incentive Trust	17	(21.4)	(39.3)	(57.8)
Retained earnings		1 583.5	1 369.3	1 184.6
Non-controlling interests		27.2	31.4	26.0
Total equity		3 171.9	2 866.1	2 665.6
Non-current liabilities				
Long-term bank loans	26	1 500.0	751.5	758.0
Deferred taxation liabilities	19	125.3	108.1	99.3
Acquisition liabilities	29	72.9	49.0	–
		1 698.2	908.6	857.3
Current liabilities				
Current portion of long-term bank loans	26	5.7	12.2	31.1
Short-term bank loan	27	590.0	750.0	425.0
Trade and other payables	28	404.4	363.4	318.0
Taxation		–	6.3	8.3
Fees received in advance and deposits	30	362.5	431.3	303.8
Shareholders for capital distribution		0.8	0.8	0.8
Shareholders for dividend		1.3	1.6	1.0
Bank overdraft	23	48.4	213.3	24.2
		1 413.1	1 778.9	1 112.2
Total equity and liabilities		6 283.2	5 553.6	4 635.1

* The restatements relate to:

- the adoption of IFRS 15. Refer to note 4;
- unallocated receipts previously classified as trade and other payables have been classified as trade and other receivables. Comparative figures have been restated (2017: R18.7 million and 2016: R20.1 million); and
- deferred taxation assets disclosed separately from deferred taxation liabilities. Comparative figures have been restated.



CONSOLIDATED STATEMENT *of changes in equity*

for the year ended 31 December 2018

	Notes	Stated capital R'm	Share incentive reserve R'm	Foreign currency translation reserve R'm	Shares held by the Share Incentive Trust R'm	Retained earnings R'm	Non-controlling interests R'm	Total equity R'm
Restated balance at 1 January 2017		1 481.9	25.3	5.6	(57.8)	1 184.6	26.0	2 665.6
Balance at 1 January 2017		1 481.9	25.3	5.6	(57.8)	1 196.3	26.0	2 677.3
Adjustment to opening balance	4					(11.7)		(11.7)
Total comprehensive income for the year				(6.4)		367.0	10.7	371.3
Profit for the year						367.0	10.7	377.7
Other comprehensive income for the year				(6.4)				(6.4)
Dividends declared to shareholders	12					(182.3)	(4.4)	(186.7)
Share-based payment expense	6, 17		6.3					6.3
Share award expense under the management share incentive scheme (MSI)	6, 18		2.0					2.0
Shares awarded under the management share incentive scheme (MSI)			(10.0)		10.0			–
Taxation effect of shares awarded under the management share incentive scheme (MSI)			(4.6)					(4.6)
Share options exercised			4.6		8.5			13.1
Non-controlling interests arising on acquisitions	36						(0.9)	(0.9)
Restated balance at 31 December 2017		1 481.9	23.6	(0.8)	(39.3)	1 369.3	31.4	2 866.1
Balance at 31 December 2017		1 481.9	23.6	(0.8)	(39.3)	1 383.3	31.4	2 880.1
Adjustment to opening balance	4					(14.0)		(14.0)
Total comprehensive income for the year				52.6		397.4	10.1	460.1
Profit for the year						397.4	10.1	407.5
Other comprehensive income for the year				52.6				52.6
Dividends declared to shareholders	12					(183.2)	(7.3)	(190.5)
Share-based payment expense	6, 17		4.4					4.4
Share award expense under the management share incentive scheme (MSI)	6, 18		2.8					2.8
Shares awarded under the management share incentive scheme (MSI)			(11.9)		11.9			–
Taxation effect of shares awarded under the management share incentive scheme (MSI)			(4.4)					(4.4)
Shares issued to settle contingent consideration	25	32.1						32.1
Share options exercised			2.3		6.0			8.3
Non-controlling interest on disposal of subsidiary	36						(1.0)	(1.0)
Non-controlling interests arising on acquisitions							(6.0)	(6.0)
Balance at 31 December 2018		1 514.0	16.8	51.8	(21.4)	1 583.5	27.2	3 171.9



CONSOLIDATED STATEMENT *of cash flows*

for the year ended 31 December 2018

	Notes	Audited 2018 R'm	Restated* Audited 2017 R'm
Cash flows from operating activities			
Cash generated from operations	33.1	945.8	805.7
Movement in working capital	33.2	(66.8)	39.9
Cash generated by operating activities		879.0	845.6
Net finance costs		(138.5)	(90.8)
– interest earned		3.7	3.9
– finance costs paid		(128.8)	(89.3)
– borrowing costs capitalised	13	(13.4)	(5.4)
Taxation paid	33.3	(202.1)	(174.6)
Dividends paid	33.4	(190.8)	(186.1)
Net cash inflow from operating activities		347.6	394.1
Cash flows from investing activities			
Additions to property, plant and equipment			
– to maintain operations	33.5	(144.0)	(155.7)
– to expand operations	33.6	(389.2)	(528.5)
Additions to proprietary technology systems	14	(22.3)	(28.4)
Business combinations cash flows	33.7	(114.9)	(215.6)
Proceeds on disposal of property, plant and equipment		2.9	14.4
Disposal of subsidiary		4.0	–
Change in ownership of joint arrangement		6.0	–
Net cash outflow from investing activities		(657.5)	(913.8)
Cash flows from financing activities			
Increase/(decrease) in non-current bank loans		748.5	(6.5)
(Decrease)/increase in current bank loans		(166.5)	306.1
Cash movement in shares held by Share Incentive Trust		8.4	13.1
Net cash inflow from financing activities		590.4	312.7
Net increase/(decrease) in cash and cash equivalents		280.5	(207.0)
Cash and cash equivalents (net of bank overdraft) at beginning of the year		(103.4)	104.0
Net foreign exchange difference on cash and cash equivalents		3.4	(0.4)
Cash and cash equivalents (net of bank overdraft) at end of the year	23	180.5	(103.4)

* The restatement of the comparative information is a result of the restatement of profits resulting from the implementation of IFRS 15 and the reclassification of cash paid of R5.4 million for borrowing costs capitalised from investing to operating activities.



NOTES TO THE CONSOLIDATED *financial statements*

for the year ended 31 December 2018

1. General information

ADVTECH Limited is a limited company incorporated in South Africa.

The principal business activities are the provision of education, training and staff placement in South Africa and other African countries.

2. Adoption of new and revised standards and interpretation

During the current year, the group adopted the following standards and interpretation which are effective for annual reporting periods beginning on or after 1 January 2018:

- IFRS 2: *Share-based Payment* (Classification and measurement of share-based payment transactions: A collection of three distinct narrow-scope amendments dealing with classification and measurement of share-based payments)
- IFRS 9: *Financial Instruments* (New standard)
- IFRS 15: *Revenue from Contracts with Customers* (New standard)
- IAS 28: *Investments in Associates and Joint Ventures* (Annual Improvements 2014-2016 Cycle: Clarification that a venture capital organisation, or a mutual fund, unit trust and similar entities may elect, at initial recognition, to measure investments in an associate or joint venture at fair value through profit or loss separately for each associate or joint venture)
- IFRIC 22: *Foreign Currency Transactions and Advance Consideration* (This interpretation addresses the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency)

In the current year, the material adoption of new standards were IFRS 9 and IFRS 15. Refer to note 4 for further detail of the impact of the adoption.

The remaining standards, amendments and interpretation, which became effective in the period ended 31 December 2018 were assessed for applicability to the group and management concluded that they were not applicable to the business of the group and consequently have had no impact.

3. Significant accounting policies

The accounting policies below apply to the consolidated and separate financial statements (hereafter referred to as the financial statements).

3.1 Statement of compliance

The financial statements have been prepared in accordance with the requirements of the JSE Listings Requirements and with International Financial Reporting Standards (IFRSs) including interpretations of such standards issued by the IFRS Interpretations Committee, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council as well as the requirements of the Companies Act of South Africa.

3.2 Basis of preparation

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments.

The principal accounting policies adopted are set out below. Except as noted above, these were consistently applied in the previous year.

3.3 Segmental reporting

The group's operating segments are determined by reference to the level of operating results regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated and for which discrete financial information is available. Operating segments which exhibit similar long-term financial performance and have similar economic characteristics are amalgamated.

The revenue earned by the schools and tertiary segments are derived from educational services and that of the resourcing segment from placement fees. The major sources of revenue are earned within South Africa. Revenue earned outside South Africa relating to the schools has been attributed to the Rest of Africa segment.

Interest received, finance costs and taxation are assessed by the chief operating decision maker at a total group level and not considered separately at a segmental level.

3.4 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and entities (including special purpose entities) controlled by the company (its subsidiaries). Control is achieved when the company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

Where an acquisition is achieved through a purchase of shares in a company, control is usually achieved when the shares are transferred into the name of the company. Where an acquisition is achieved through the purchase of assets, control is achieved either when all conditions precedent have been met or when the transfer of the land and buildings has been achieved.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and statement of other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Profit or loss and each component of the other comprehensive income are attributed to the owners of the company and to the non-controlling interests.



3.4 Basis of consolidation (continued)

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the group. The material change that was made to acquisitions during the year related to revenue smoothing to recognise revenue on a straight line basis over the period that the service is to be rendered.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Intra-group transactions and conducted at an arms-length basis.

Changes in the group's ownership interests in subsidiaries that do not result in the group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the company.

3.5 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred to the group, liabilities incurred by the group to the former owners of the acquiree and the equity interests issued by the group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that deferred tax assets or liabilities are recognised and measured in accordance with IAS 12 *Income Taxes*.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Business combinations that took place prior to 1 January 2010 were accounted for in accordance with the previous version of IFRS 3.

3.6 Goodwill

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost as part of the investments and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period. Goodwill is assessed at each statement of financial position date for impairment.

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



NOTES TO THE CONSOLIDATED *financial statements*

for the year ended 31 December 2018 (*continued*)

3.7 Joint arrangements

A joint arrangement is a company over which the group exercises joint control. Joint control involves the contractually agreed sharing of control.

The equity method of accounting is applied in the consolidated financial statements, in relation to joint arrangements. In applying the equity method, account is taken of the group's share of accumulated retained earnings and movements in reserves from the effective dates on which the companies became jointly controlling parties and up to the effective dates of disposal. In the event of a joint arrangement making a loss, the group recognises the losses to the extent of the group's exposure.

3.8 Revenue recognition

The group recognises revenue from the following major sources:

- Revenue from tuition fees;
- Revenue from placement fees;
- Interest income; and
- Dividend income.

Revenue is measured based on the consideration specified in a contract with a customer. The group recognises revenue when it transfers control of a product or service to a customer.

3.8.1 Revenue from tuition fees

The group provides education services to students at schools as well as tertiary institutions. Such services include tuition, aftercare and boarding and are recognised on a straight-line basis over the period that the service is to be rendered. Payment for these services are received either upfront, quarterly or monthly. The upfront payments give rise to fees received in advance (contract liability) which is realised over the period in which the services are delivered.

The non-refundable enrolment fees are received to perform an administrative task. The promised service is the delivery of education. Therefore, the enrolment fees have been deferred to the period over which the education services are performed and included with fees received in advance.

The awarded bursaries and discounts are set off against the related revenue recognised. The recognised amounts of these bursaries and discounts are calculated based on the actual amounts approved and recognised on a straight-line basis over the period that the services are rendered.

For the sale of educational material and uniforms, revenue is recognised when control of the goods has transferred. Payment of the transaction price is due immediately when the student purchases the goods.

3.8.2 Revenue from placement fees

The group provides recruitment services to a range of businesses. Revenue from placement fees are recognised as and when the services are rendered and candidates are successfully placed.

3.8.3 Interest income and dividend income

Interest income is accrued on a time basis, by reference to the principal amount outstanding at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments are recognised when the shareholders' rights to receive payment have been established.

3.9 Leasing

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.

Operating lease payments are recognised as an expense on the straight-line basis over the term of the lease.

3.10 Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in currency units, which is the functional currency of the company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the group and individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each statement of financial position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the statement of financial position date.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss for the period.

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the group's foreign operations are translated into currency units using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (and attributed to non-controlling interests as appropriate).



3.10 Foreign currencies (continued)

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

3.11 Borrowing costs

Borrowing costs that are not capitalised to property, plant and equipment or proprietary technology systems are recognised in profit or loss in the period in which they are incurred.

3.12 Retirement benefit costs

The group operates pension and provident funds to which employees from certain defined divisions belong. Both funds are defined contribution plans and do not require to be actuarially valued.

These plans are governed by the Pension Fund Act of 1956.

Current contributions to the pension and provident funds are expensed when they become payable.

3.13 Share-based payments

The group issues equity-settled share-based payments to certain employees under the share option scheme. These equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the grant date. The fair value determined at the grant date of the equity-settled share-based payments is expensed on the straight-line basis over the vesting period with a corresponding movement in the share incentive reserve, based on the group's estimate of the shares that will eventually vest and adjust for the effect of non-market-based vesting conditions.

The fair value is measured using the Bermudan Binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The group also issues equity-settled share-based payments to certain employees under the Management Share Incentive (MSI) scheme. These equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the grant date. The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period with a corresponding movement in the share incentive reserve, based on the group's estimate of the shares that will eventually vest. The number of shares that will eventually vest fluctuates

based on performance against pre-defined performance targets, that includes no market related vesting conditions.

3.14 Taxation

Income taxation expense represents the sum of the taxation currently payable and deferred taxation.

Current taxation

The taxation currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss 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 taxation is calculated using taxation rates that have been enacted or substantively enacted by the statement of financial position date.

Deferred taxation

Deferred taxation is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding taxation base used in the computation of taxable profit. Deferred taxation liabilities are generally recognised for all taxable temporary differences and deferred taxation assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise 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.

The carrying amount of deferred taxation assets is reviewed at each statement of financial position 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 taxation assets and liabilities are measured at the taxation rates that are expected to apply in the period in which the liability is settled or the asset realised, based on taxation rates (and taxation laws) that have been enacted or substantively enacted by the statement of financial position date. Deferred taxation is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred taxation is also dealt with in equity.

Deferred taxation assets and liabilities are offset when there is a legally enforceable right to set off current taxation assets against current taxation liabilities and when they relate to income taxes levied by the same taxation authority and the group intends to settle its current taxation assets and liabilities on a net basis.



NOTES TO THE CONSOLIDATED *financial statements*

for the year ended 31 December 2018 (*continued*)

3.15 Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing net profit attributable to owners of the company by the weighted average number of ordinary shares in issue during the year, net of shares repurchased and the group's interest in its own ordinary shares.

Diluted earnings per share

For diluted earnings per share, the weighted average number of ordinary shares in issue, net of shares repurchased, is adjusted for the dilutive effect of potential ordinary shares. Potential ordinary shares are treated as dilutive when their conversion to ordinary shares would decrease basic earnings per share.

Headline earnings per share and normalised earnings per share

The presentation of headline earnings per share is mandated under the JSE Listings Requirements and is calculated in accordance with Circular 4/2018 – Headline Earnings, as issued by the South African Institute of Chartered Accountants.

Normalised earnings is a non-IFRS measure and excludes the impact of certain non-operational income and expense items from reported headline earnings. It is included to provide an additional basis on which to measure the group's normalised earnings performance.

3.16 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment. Additions to land and buildings are recognised based on the stage of completion of the construction project. Land and work in progress assets are not depreciated. Depreciation is calculated on the straight-line basis at rates that will reduce the cost of the assets to their estimated residual values over their expected useful lives. The depreciation is recognised in profit or loss.

The annual rates for this purpose are:

Buildings	1%
Computer equipment	25%
Computer software	33.3%
Furniture, fittings and equipment	10% – 20%
Motor vehicles	20%
Video equipment	33.3%
Leasehold improvements	Period of lease

The useful life, residual value and depreciation methods of property, plant and equipment are reviewed on an annual basis and no adjustments were required to be made to these estimates.

Items of property, plant and equipment are derecognised on disposal when they have reached the end of their useful lives and no further economic benefits are expected to be obtained from them.

Borrowing costs incurred relating to the development of properties and proprietary technology systems are capitalised and included in the cost of these assets until completion, less any identified impairment loss. The

capitalisation rate used to determine the borrowing cost capitalised is the prevailing average borrowing rate. Depreciation of these assets, on the same basis as other property and proprietary technology systems assets, commences when the assets are ready for their intended use.

3.17 Intangible assets

Intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on the straight-line basis over the estimated useful lives and is recognised in profit or loss. 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 and there were no adjustments required to be made in the current year. Due to their nature, certain brand values have been identified as having an indefinite useful life on the basis that there is no foreseeable end to the period over which the asset will generate economic benefits.

3.18 Impairment of tangible and intangible assets, excluding goodwill

At each statement of financial position date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss if any.

3.19 Inventories

Inventories are stated at the lower of cost and net realisable value. Inventory balances at year-end consist mostly of books. These are carried as inventory and expensed when provided to students.

3.20 Share purchases

The ADVTECH Limited Share Incentive Trust, the Independent Institute of Education Proprietary Limited and ADVTECH Resourcing Proprietary Limited holds shares in the company to be used for the settlement of its obligations under its share incentive schemes. Shares held are offset against share capital.

3.21 Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the 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 assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss (FVTPL)) 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 are recognised immediately in profit or loss.



3.21.1 Financial assets

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.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value depending on the classification of the financial assets.

3.21.1.1 Classification of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at fair value through profit or loss (FVTPL).

3.21.1.2 Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at fair value through other comprehensive income (FVTOCI). For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see 3.21.1.8). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the "interest earned" line item.

3.21.1.3 Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost are measured at FVTPL. Specifically, investments in equity instruments are classified as at FVTPL, unless the group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss.

The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in note 7 in the line item "net loss on financial asset at FVTPL". Fair value is determined in the manner described in note 20.

3.21.1.4 Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. For financial assets measured at amortised cost, exchange differences are recognised in profit or loss in note 6 in the line item "foreign exchange losses".



NOTES TO THE CONSOLIDATED *financial statements*

for the year ended 31 December 2018 (continued)

3.21 Financial instruments (continued)

3.21.1.5 Impairment of financial assets

The amount of expected credit losses (ECL) is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The group always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision calculation based on the group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the group measures

the loss allowance for that financial instrument at an amount equal to 12 months ECL. The assessment of whether lifetime expected credit losses (ECL) should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 months ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Based on the above, the group and company has a credit risk grading framework against which financial assets are assessed for expected credit losses. The current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising expected credit losses
Trade receivables: Education institutions		
Performing	The counterparty has a low risk of default as the student is still in attendance and regular payments are received.	Lifetime ECL – not credit impaired
In default	Amount is >30 days past due and the student is no longer in attendance but payments are still being received as well as the student is still in attendance but regular payments are not received.	Lifetime ECL – credit impaired
Write off	The student is no longer in attendance and no payments are being received.	Amount is written off
Trade receivables: Resourcing		
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	Lifetime ECL – not credit impaired
Overdue	Amount is >30 days past due and/or there has not been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit impaired
In default	Legal credit collection steps have been instituted and there is evidence indicating the asset is credit-impaired.	Lifetime ECL – credit impaired
Write off	There is evidence indicating that the debtor is in severe financial difficulty and the group has no realistic prospect of recovery.	Amount is written off
Other financial assets and company trade and other receivables		
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	12 month ECL
Overdue	Amount is >30 days past due and/or there has not been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit impaired.	Lifetime ECL – credit impaired
Write off	There is evidence indicating that the debtor is in severe financial difficulty and the group has no realistic prospect of recovery.	Amount is written off



3.21.1.6 Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward looking information considered includes the future prospects of the industries in which the group's debtors operate as well as consideration of various external sources of actual and forecast economic information that relate to the group's core operations, namely the education and recruitment industries.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations; and
- an actual or expected significant deterioration in the operating results of the debtor.

Irrespective of the outcome of the above assessment, the group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) positive changes in economic and business conditions in the longer term may, but will not necessarily, improve the ability of the borrower to fulfil its contractual cash flow obligations.

The group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3.21.1.7 Definition of default

The group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet the following criteria are generally not recoverable:

- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the group, in full.

Irrespective of the above analysis, the group considers that default has occurred when the credit risk grading framework "In default" category is satisfied, unless the group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3.21.1.8 Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- a) significant financial difficulty of the issuer or the borrower;
- b) a breach of contract, such as a default or past due event;
- c) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- d) the disappearance of an active market for that financial asset because of financial difficulties.

3.21.1.9 Write-off policy

The group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the credit risk grading framework "write off" category is satisfied, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.



NOTES TO THE CONSOLIDATED *financial statements*

for the year ended 31 December 2018 (*continued*)

3.21 Financial instruments (*continued*)

3.21.1.10 Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the group in accordance with the contract and all the cash flows that the group expects to receive, discounted at the original effective interest rate.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- nature of financial instruments (i.e. the group's trade and other receivables and amounts due from customers are each assessed as a separate group. Loans to related parties are assessed for expected credit losses on an individual basis);
- past-due status;
- nature, size and industry of debtors; and
- external credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

If the group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the group measures the loss allowance at an amount equal to 12m ECL at the current reporting date.

The group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

3.21.1.11 Derecognition of financial assets

The group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If 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 asset and an associated liability for amounts it may have to pay. If the group retains substantially all the risks and rewards of ownership of a transferred financial asset, the group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

3.21.2 Financial liabilities and equity instruments

3.21.2.1 Classification as debt or equity

Debt and equity instruments issued by the group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

3.21.2.2 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the group's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the group's own equity instruments.

3.21.2.3 Financial liabilities

All financial liabilities currently held in the group and company are subsequently measured at amortised cost using the effective interest method.

3.21.2.3a Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

3.21.2.3b Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end



of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in profit or loss in note 6 in the line item "foreign exchange losses".

3.21.2.3c Derecognition of financial liabilities

The group derecognises financial liabilities when, and only when, the group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3.22 Critical accounting judgements and key sources of estimation uncertainty

Valuation of equity compensation benefits

Management classifies its share-based payment schemes as equity-settled schemes. In applying its judgement, management consulted with external expert advisers in the accounting and share-based payment advisory industry. The critical estimates as used in the Bermudan Binomial model are detailed in note 17 to the consolidated financial statements. This includes estimated option exercise behaviour, as well as anticipated forfeiture rates.

Impairment of assets

An assessment of impairment at a cash-generating unit level for tangible and intangible assets, as well as individual assessments of goodwill and financial assets (including related provisions), is performed at the end of each reporting period.

Furthermore, assessment of whether credit risk on financial assets and other items within the impairment scope of IFRS 9 has increased significantly since initial recognition in order to determine whether 12 month ECL or lifetime ECL should be recognised.

The critical estimates used in individual impairment assessments of assets are the factors relating to the technical, economic and business circumstances which affect the inputs applied in determining the recoverable amount of the respective assets. Refer to notes 15, 16 and 22.

Expected credit loss allowance

An assessment of impairment of trade receivables is performed at the end of each reporting period based on various factors including the ageing of the receivables, projected future settlements based on prior period history, probability of default, expected loss rates and other pertinent information. Management judgement is required on estimating such information.

Contingent liabilities

Management applies its judgement based on facts and advice it receives from its legal and other advisers in assessing if an obligation is probable, more likely than not or remote. This judgement is used to determine whether the potential obligation is recognised as a liability, disclosed as a contingent liability or ignored for financial statement purposes.

Purchase price allocation relating to business combinations

The group exercises judgement in determining the purchase price allocation in respect of intangible assets and resulting goodwill relating to the business combinations. The free cash flow method is used and the key assumptions involved were growth rates, discount rates and attrition rates.

Useful lives and residual values of property, plant and equipment and intangible assets

Management judgement and assumptions are necessary in estimating the methods of depreciation/amortisation, useful lives and residual values of property, plant and equipment and intangible assets. The group reassesses the estimated useful lives and residual values of components of property, plant and equipment and intangible assets on an ongoing basis and makes appropriate changes as and when necessary. Indefinite useful lives are allocated to intangible assets if there is no foreseeable limit to the period over which the group expects to consume the future economic benefits embodied in the intangible asset.



NOTES TO THE CONSOLIDATED *financial statements*

for the year ended 31 December 2018 (*continued*)

3.23 Standards and interpretation not yet effective

At the date of the authorisation of these financial statements, the following standards and interpretation were in issue but not yet effective:

IFRS 3	<i>Business Combinations</i> (Annual Improvements 2015 – 2017 Cycle: Clarification that when an entity obtains control of a business that is a joint operation, it is required to remeasure previously held interests in that business)	Annual period beginning on or after 1 January 2019
IFRS 3	<i>Business Combinations</i> (Definition of a Business)	Annual period beginning on or after 1 January 2020
IFRS 9	<i>Financial Instruments</i> (Prepayment Features with Negative Compensation. The narrow-scope amendment allows companies to measure particular prepayable financial assets with negative compensation at amortised cost or at fair value through other comprehensive income if a specified condition is met)	Annual period beginning on or after 1 January 2019
IFRS 11	<i>Joint Arrangements</i> (Annual Improvements 2015 – 2017 Cycle: Clarification that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business)	Annual period beginning on or after 1 January 2019
IFRS 16	<i>Leases</i> (New standard)	Annual period beginning on or after 1 January 2019
IAS 1	<i>Presentation of Financial Statements</i> (Disclosure Initiative: The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.)	Annual period beginning on or after 1 January 2020
IAS 8	<i>Accounting Policies, Changes in Accounting Estimates and Errors</i> (Disclosure Initiative: The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.)	Annual period beginning on or after 1 January 2020
IAS 12	<i>Income Taxes</i> (Annual Improvements 2015 – 2017 Cycle: Clarification that all income tax consequences of dividends should be recognised in profit or loss, regardless of how the tax arises)	Annual period beginning on or after 1 January 2019
IAS 23	<i>Borrowing Costs</i> (Annual Improvements 2015 – 2017 Cycle: The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings)	Annual period beginning on or after 1 January 2019
IAS 28	<i>Investments in Associates and Joint Ventures</i> (Long-term interest in Associates and Joint Ventures: Clarification provided that an entity should apply IFRS 9 to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied)	Annual period beginning on or after 1 January 2019
IAS 28	<i>Investments in Associates and Joint Ventures</i> (Clarification provided that an entity should apply IFRS 9 to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied)	Annual period beginning on or after 1 January 2019
IFRIC 23	<i>Uncertainty over Income Tax Treatments</i> (This interpretation specifies how an entity should reflect the effects of uncertainties in accounting for income taxes)	Annual period beginning on or after 1 January 2019

The group intends to adopt the above standards and interpretation at the start of the financial period following the effective date.



The effect of the implementation of the standard anticipated to have a significant impact on the group's consolidated financial statements is detailed below:

IFRS 16 – Leases

Nature of change

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the statement of financial position by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

Impact

The group has set up a project team which has reviewed all of the group's leasing arrangements over the last year in light of the new lease accounting rules in IFRS 16. The standard will affect primarily the accounting for the group's operating leases.

As at the reporting date, the group has non-cancellable operating lease commitments of R453.2 million, see note 31.

The group expects to recognise right-of-use assets of approximately R546.2 million on 1 January 2019 (1 January 2018: R531.6 million), lease liabilities of R649.1 million (1 January 2018: R612.3 million) and deferred tax assets of R20.2 million (1 January 2018: R14.5 million). Overall net assets will be approximately R51.9 million lower (1 January 2018: R37.4 million) after reversal of the lease smoothing provision, and net current assets will be R114.9 million lower (1 January 2018: R93.3 million lower) due to the presentation of a portion of the liability as current.

The group expects that net profit before taxation will decrease by approximately R3.6 million for 2019 (2018: R20.2 million decrease) as a result of adopting the new rules. EBITDA is expected to increase by approximately R171.8 million (2018: R152.8 million), as the operating lease payments and lease smoothing expense were included in EBITDA, but the amortisation of the right-of-use assets of R118.4 (2018: R113.5 million) and interest of R57.0 million (2018: R59.5 million) on the lease liability are excluded from this measure.

Operating cash flows will increase and financing cash flows decrease by approximately R168 million (2018: R150.8 million) as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

The group's activities as a lessor are not material and hence the group does not expect any significant impact on the financial statements. However, some additional disclosures will be required.

Date of adoption by group

The group will apply the standard from its mandatory adoption date of 1 January 2019. The group intends to apply the full transition approach and will restate comparative amounts for the year prior to first adoption. Right-of-use assets will be measured on transition as if the new rules had always been applied.

Other standards and interpretation

None of the other standards and interpretations that have been published, but not yet effective, are expected to have a significant impact on the amounts recorded in the financial statements.



NOTES TO THE CONSOLIDATED *financial statements*

for the year ended 31 December 2018 (*continued*)

4. Application of new and revised International Financial Reporting Standards (IFRS)

4.1 Impact of IFRS 15 adoption

In the current year, the group has applied *IFRS 15: Revenue from Contracts with Customers* (IFRS 15) with an effective date from 1 January 2018. Details of these new requirements as well as their impact on the group's consolidated financial statements are described below.

The group has applied IFRS 15 in accordance with the fully retrospective transitional approach without using the practical expedients for completed contracts in IFRS 15.C5 (d), but using the expedient in IFRS 15.C5 (a) and (b).

- IFRS 15.C5 (a) allows for completed contracts that an entity need not restate contracts that begin and end within the same annual reporting period.
- IFRS 15.C5 (b) allows the completed contracts with variable considerations to use the transaction price at the date the contract was completed rather than estimating variable consideration amounts in the comparative periods.

IFRS 15 uses the term “contract liability” to describe what has been previously disclosed as “fees received in advance”. However the standard does not prohibit an entity from using alternative descriptions in the statement of financial position and therefore the original description has remained as is.

	Restated Audited 2017 R'm
Impact on profit or loss	
Revenue	(149.2)
Bursaries ¹	(146.0)
Change in timing of recognition of enrolment fees ²	(3.2)
Other operating expenses ¹	146.0
Taxation ³	0.9
Decrease in profit for the year	(2.3)
Decrease in earnings per share	
Basic (cents)	(0.4)
Diluted (cents)	(0.4)

	As previously reported	IFRS 15 adjustments	As restated
Impact on assets, liabilities and equity as at 1 January 2017			
Deferred taxation ³	94.1	(4.6)	89.5
Fees received in advance and deposits ²	287.5	16.3	303.8
Retained earnings	1 196.3	(11.7)	1 184.6
Impact on assets, liabilities and equity as at 31 December 2017			
Deferred taxation ³	100.1	(5.5)	94.6
Fees received in advance and deposits ²	411.8	19.5	431.3
Retained earnings	1 383.3	(14.0)	1 369.3

¹ The contract consideration for educational services vary due to bursaries and discounts awarded to students. These amounts are set off against revenue as these are price concessions and therefore variable considerations. The amounts have been determined based on actual bursaries and discounts awarded during the year and therefore IFRS 15 paragraph 53 (b) has been utilised in terms of the valuation method as the most likely amount is realised.

² The enrolment fee income for student registrations was previously recognised when received in compliance with the previous accounting standards. As this is an administrative task and the promised service is the delivery of education, the enrolment fees have now been deferred to the period over which the education services are performed.

³ Recognition of the impact on deferred taxation due to the deferral of enrolment fees.



4.2 Impact of IFRS 9 adoption

In the current year, the group and company has applied *IFRS 9: Financial Instruments* (IFRS 9) and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) impairment for financial assets and 3) general hedge accounting. Details of these new requirements as well as their impact on the group's and company's financial statements are described below.

The group and company has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

4.2.1 Classification and measurement of financial assets

The date of initial application (i.e. the date on which the group and company has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 1 January 2018. Accordingly, the group and company has applied the requirements of IFRS 9 to instruments that have not been derecognised as at 1 January 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. Comparative amounts in relation to instruments that have not been derecognised as at 1 January 2018 have been restated where appropriate.

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The directors reviewed and assessed the group's and company's existing financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the group's and company's financial assets as regards their classification and measurement:

- the group's investments in equity instruments that were previously classified as available-for-sale financial assets and were measured at fair value at each reporting date under IAS 39: Financial instruments: recognition and measurement (IAS 39) continue to be measured at fair value through profit and loss under IFRS 9; and
- financial assets classified as loans and receivables under IAS 39 that were measured at amortised cost continue to be measured at amortised cost under IFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

None of these reclassifications of financial assets have had any impact on the group's financial position, profit or loss, other comprehensive income or total comprehensive income for the current and prior years.



NOTES TO THE CONSOLIDATED *financial statements*

for the year ended 31 December 2018 (*continued*)

4.2.2 Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss ("ECL") model as opposed to an incurred credit loss model under IAS 39. The ECL model requires the group and company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

IFRS 9 requires the group and company to measure the loss allowance for a financial instrument at an amount equal to the lifetime ECL if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. On the other hand, if the credit risk on a financial instrument has not increased significantly since initial recognition, the group and company is required to measure the loss allowance for that financial instrument at an amount equal to 12 months expected credit loss. Furthermore, IFRS 9 provides a simplified approach for measuring the loss allowance at an amount equal to lifetime expected credit loss for trade receivables in certain circumstances.

As at 1 January 2018, the directors reviewed and assessed the group and company's existing financial assets and amounts due from customers for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9 to determine the credit risk of the respective items at the date they were initially recognised, and compared that to the credit risk as at 1 January 2017 and 1 January 2018. The result of the assessment is as follows:

		Cumulative additional loss allowance recognised on:			
Items existing as at 1 January 2018 that are subject to the impairment provisions of IFRS 9	Credit risk attributes at 1 January 2017 and 1 January 2018	Group 1 January 2018	Group 1 January 2017	Company 1 January 2018	Company 1 January 2017
Loans to related parties – company	These loans are assessed to have a low credit risk as the underlying entities are profitable and generating sufficient cash to meet their obligations. Accordingly, the group recognises 12 month ECL for these loans unless there is an indication that the counterparty is in financial difficulty.			–	–
Trade and other receivables – group and company	The group applies the simplified approach and recognises lifetime expected credit loss.	–	–	–	–
Bank balances and cash – group	All bank balances are assessed to have low credit risk at each reporting date as they are held with reputable international banking institutions.	–	–		

The valuation techniques previously adopted did focus on the future expected recoverability of the debtors. There has been no change in the estimation techniques or significant assumptions made during the current reporting period and accordingly the application of IFRS 9 has not had any impact on the expected credit loss arising from financial assets.

4.2.3 Disclosures in relation to the initial application of IFRS 9

The table below illustrates the classification and measurement of financial assets and financial liabilities under IFRS 9 and IAS 39 at the date of initial application, 1 January 2018.

	Original measurement category under IAS 39	New measurement category under IFRS 9	Original carrying amount under IAS 39 R'm	Additional loss allowance recognised under IFRS 9 R'm	New carrying amount under IFRS 9 R'm
Group					
Investment (note 20)	Available-for-sale investments	Financial asset at FVTPL	12.0	–	12.0
Trade and other receivables (note 22)	Loans and receivables	Financial asset at amortised cost	288.4	–	288.4
Bank balances and cash (note 23)	Loans and receivables	Financial asset at amortised cost	109.9	–	109.9
Long-term bank loans (note 26)	Financial liabilities at amortised cost	Financial liabilities at amortised cost	(763.7)	–	(763.7)
Short-term bank loan (note 27)	Financial liabilities at amortised cost	Financial liabilities at amortised cost	(750.0)	–	(750.0)
Trade and other payables (note 28)	Financial liabilities at amortised cost	Financial liabilities at amortised cost	(363.4)	–	(363.4)
Deposits	Financial liabilities at amortised cost	Financial liabilities at amortised cost	83.8	–	83.8
Shareholders for dividend and capital distribution	Financial liabilities at amortised cost	Financial liabilities at amortised cost	(2.4)	–	(2.4)
Bank overdraft (note 23)	Financial liabilities at amortised cost	Financial liabilities at amortised cost	(213.3)	–	(213.3)
Company					
Loan to share incentive trust	Loans and receivables	Financial asset at amortised cost	39.3	–	39.3
Loans to subsidiaries	Loans and receivables	Financial asset at amortised cost	834.8	–	834.8
Trade and other receivables (note 6)	Loans and receivables	Financial asset at amortised cost	35.1	–	35.1
Trade and other payables (note 8)	Financial liabilities at amortised cost	Financial liabilities at amortised cost	(3.2)	–	(3.2)
Shareholders for dividends and capital distributions	Financial liabilities at amortised cost	Financial liabilities at amortised cost	(2.0)	–	(2.0)

The change in measurement category of the different financial assets and financial liabilities has had no impact on their respective carrying amounts on initial application.

At the date of initial application the group classified the investment as a financial asset at FVTPL, previously classified as an available-for-sale financial instrument. Refer to note 20 for further information on the measurement of this financial asset. There were no other financial assets or financial liabilities which the group or company had previously designated as at FVTPL under IAS 39 that were subject to reclassification, or which the group has elected to reclassify upon the application of IFRS 9.

4.2.4 Financial impact of initial application of IFRS 9

The application of IFRS 9 has had no impact on the 31 December 2017 and 31 December 2016 consolidated or separate profit or loss, other comprehensive income, statement of financial position or cash flow statement.



NOTES TO THE CONSOLIDATED *financial statements*

for the year ended 31 December 2018 (*continued*)

	Audited 2018 R'm	Restated Audited 2017 R'm
5. Revenue		
The group derives its revenue from the transfer of services over time in the following major income streams. This is consistent with the revenue information that is disclosed for each reportable segment under IFRS 8 (see consolidated segmental report):		
Education services	3 727.3	3 297.8
Tuition – Schools	2 060.4	1 787.7
Tuition – Tertiary	1 718.5	1 555.7
Bursaries and discounts	(179.5)	(146.0)
Net tuition fees	3 599.4	3 197.4
Boarding fees	26.3	21.6
Enrolment and application fees	65.2	51.4
Extramural activities and aftercare	32.4	25.4
Educational material and uniforms	4.0	2.0
Placement fees	669.5	643.8
Intra group revenue	(7.8)	(3.9)
	4 389.0	3 937.7
Timing of revenue recognition		
Over time		
Net tuition fees, boarding fees, enrolment and application fees and extramural activities and aftercare	3 723.3	3 295.8
At a point in time		
Educational material and uniforms, placement fees and intra group revenue	665.7	641.9
Total	4 389.0	3 937.7



	Notes	Audited 2018 R'm	Restated Audited 2017 R'm
6. Operating profit before interest			
Operating profit before interest is stated after taking the following into account:			
Auditors' remuneration		10.7	8.9
– Current year audit fee		10.4	8.3
– Prior year under provision		0.1	0.4
– Other services		0.2	0.2
Amortisation		27.2	28.1
– Proprietary technology systems	14	13.1	10.4
– Intangible assets	16	14.1	17.7
Depreciation	13	152.2	127.2
– Land and buildings		17.9	14.6
– Computer equipment		55.9	44.5
– Computer software		3.2	3.0
– Furniture, fittings and equipment		36.6	29.5
– Motor vehicles		7.4	6.8
– Video equipment		1.3	0.9
– Leasehold improvements		29.9	27.9
Total depreciation and amortisation		179.4	155.3
Foreign exchange gains		–	(0.9)
Foreign exchange losses		0.5	1.1
Operating lease charges		178.4	169.0
– Premises		170.2	163.2
– Equipment		8.2	5.8
Professional fees		21.0	22.4
(Profit)/loss on sale of property, plant and equipment		(0.7)	0.7
Profit on disposal of subsidiary		(0.9)	–
Settlement of contingent consideration		34.3	–
Impairment of intangible assets	16	3.2	–
Net loss on financial asset at FVTPL	20	4.2	–
Gain on bargain purchase on acquisition of 50% of Star Schools	20	(4.2)	–
Directors' emoluments		14.0	11.8
– For services as directors		5.2	4.7
– Vat on non-executive director fees		0.2	–
– For managerial and other services		8.6	7.1
Pension and provident fund contributions		129.9	109.5
Share-based payment expense	17	4.4	6.3
Management share incentive scheme expense (MSI)	18	2.8	2.0
Staff costs		1 819.0	1 626.3
Total staff costs		1 970.1	1 755.9
Number of staff (at year-end)		7 549	6 743
Number of staff covered by retirement plans (at year-end)		4 429	4 260



NOTES TO THE CONSOLIDATED *financial statements*

for the year ended 31 December 2018 (*continued*)

	Note	Audited 2018 R'm	Restated Audited 2017 R'm
7. Net finance costs			
7.1 Interest earned			
Call accounts		1.6	1.7
Current accounts		0.5	1.8
South African Revenue Service and other revenue authorities		0.2	0.1
Other		1.4	0.3
		3.7	3.9
7.2 Finance costs incurred			
Bank loans		(123.0)	(96.1)
Bank loans facility fees		(1.6)	(1.4)
Current accounts		(6.2)	(3.2)
South African Revenue Service and other revenue authorities		(1.3)	(0.2)
Other		(4.3)	(2.1)
		(136.4)	(103.0)
Net finance costs		(132.7)	(99.1)
8. Taxation			
8.1 Taxation expense comprises			
Current taxation – current year		177.8	171.2
– prior year over provision		(6.5)	(2.5)
Deferred taxation – current year	19	9.4	(8.5)
– prior year under/(over) provision	19	4.3	(0.1)
Total taxation expense		185.0	160.1
Estimated taxation losses for the group carried forward at year-end were R24.4 million (2017: R20.1 million).			
Deferred taxation assets relating to taxation losses to the value of R3.2 million (2017: R3.2 million) have not been raised in the group.			
8.2 Reconciliation of taxation			
Profit before taxation		592.5	537.8
Taxation at 28%		165.9	150.6
Foreign taxation effect		(2.2)	(3.2)
Permanent differences		23.5	15.3
Disallowable expenditure – depreciation on buildings		10.2	8.4
– settlement of contingent consideration		9.6	–
– other		3.7	7.0
– foreign entities		0.1	–
Exempt income		(0.1)	(0.1)
Current taxation – prior year over provision		(6.5)	(2.5)
Deferred taxation – prior year under/(over) provision		4.3	(0.1)
Taxation expense recognised in profit		185.0	160.1
Effective taxation rate		31.2%	29.8%

	Audited 2018	Restated Audited 2017
9. Earnings per share		
The calculation of the weighted average number of shares for basic and diluted earnings per share, headline earnings per share and normalised earnings per share attributable to equity holders is based on the following data:		
Number of shares		
Weighted average number of shares ('m)	544.6	544.4
Less: Weighted average number of shares held by the Share Incentive Trust and under the MSI ('m)	(8.7)	(10.2)
Weighted average number of shares for purposes of basic earnings per share ('m)	535.9	534.2
Dilutive effect of share options ('m)	0.2	1.0
Weighted average number of shares for purposes of diluted earnings per share ('m)	536.1	535.2
Earnings		
Earnings for the purpose of basic and diluted earnings per share (R'm)	397.4	367.0
Earnings per share		
Basic (cents)	74.2	68.7
Diluted (cents)	74.1	68.6

	Audited 2018 R'm		Restated Audited 2017 R'm	
	Gross	Net	Gross	Net
10. Headline earnings per share				
Earnings				
Earnings for the purpose of basic and diluted earnings per share		397.4		367.0
Items excluded from headline earnings per share	(2.6)	(3.1)	0.7	0.5
(Profit)/loss on sale of property, plant and equipment	(0.7)	(0.5)	0.7	0.5
Profit on sale of subsidiary	(0.9)	(0.7)	–	–
Impairment of intangible assets	3.2	2.3	–	–
Gain on bargain purchase of acquisition	(4.2)	(4.2)	–	–
Earnings for the purpose of headline earnings per share		394.3		367.5
Headline earnings per share				
Basic (cents)		73.6		68.8
Diluted (cents)		73.5		68.7



NOTES TO THE CONSOLIDATED *financial statements*

for the year ended 31 December 2018 (*continued*)

	Audited 2018 R'm		Restated Audited 2017 R'm	
	Gross	Net	Gross	Net
11. Normalised earnings per share				
Earnings				
Earnings for the purpose of basic and diluted headline earnings per share		394.3		367.5
Items excluded from normalised earnings per share	40.5	40.5	43.4	35.0
Corporate action costs	2.0	2.0	12.3	12.3
Fraud adjustments				
Adjustments relating to 2016*	–	–	24.4	17.8
Adjustments relating to 2015*	–	–	6.7	4.9
Settlement of contingent consideration	34.3	34.3	–	–
Net loss on financial asset at FVTPL	4.2	4.2	–	–
Earnings for the purpose of normalised earnings per share		434.8		402.5
Normalised earnings per share				
Basic (cents)*		81.1		75.3
Diluted (cents)*		81.1		75.2

* The previously reported fraud event was accounted for in the second half of 2017 and impacts the comparative results. Normalised earnings for the comparative results was adjusted by re-allocating the impact of this event to the accounting periods to which it relates. The normalised profit for the year ending 31 December 2017 has been adjusted upwards to remove the effect of the 2015 and 2016 charges recognised in the prior year to correct the effects of the event.

	Audited 2018 R'm	Audited 2017 R'm
12. Dividends		
Final dividend No 17 paid on 16 April 2018: 19.0 cents per share (2017: No 15: 19.0 cents per share)	103.4	103.4
Interim dividend No 18 paid on 17 September 2018: 15.0 cents per share (2017: No 16: 15.0 cents per share)	81.7	81.7
Dividend attributable to shares held by the treasury shares	(1.9)	(2.8)
Dividends declared by subsidiaries to non-controlling interests	7.3	4.4
Total dividends	190.5	186.7
On 14 March 2019 the directors declared a dividend No 19 of 15.0 cents per share payable on 15 April 2019 to shareholders registered on the record date, being 12 April 2019.		
Analysis of dividends per share declared:		
Interim	15.0	15.0
Final	15.0	19.0
	30.0	34.0

Cost							31 Dec 2018 R'm
2018	1 Jan 2018 R'm	Additions R'm	Acquisitions through business combi- nations R'm	Disposals R'm	Disposal of subsidiary R'm	Foreign currency effect R'm	
13. Property, plant and equipment							
Land and buildings	3 156.9	341.2	–	(6.0)	–	26.8	3 518.9
Computer equipment	303.4	83.3	1.2	(11.0)	(0.2)	0.3	377.0
Computer software	14.2	4.6	0.3	(2.7)	–	–	16.4
Furniture, fittings and equipment	282.1	52.3	6.9	(16.1)	(0.3)	1.4	326.3
Motor vehicles	51.9	7.7	2.7	(4.3)	–	0.5	58.5
Video equipment	5.0	2.5	–	–	–	–	7.5
Leasehold improvements	392.0	54.2	–	(2.5)	–	–	443.7
	4 205.5	545.8	11.1	(42.6)	(0.5)	29.0	4 748.3

Accumulated depreciation and impairment							31 Dec 2018 R'm
	1 Jan 2018 R'm	Depre- ciation R'm	Acquisitions through business combi- nations R'm	Disposals R'm	Disposal of subsidiary R'm	Foreign currency effect R'm	
Land and buildings	126.2	17.9	–	(5.5)		0.5	139.1
Computer equipment	196.3	55.9	–	(9.7)	(0.1)	–	242.4
Computer software	7.8	3.2	–	(2.7)		–	8.3
Furniture, fittings and equipment	186.3	36.6	–	(15.7)	(0.1)	0.1	207.2
Motor vehicles	33.9	7.4	–	(4.3)		–	37.0
Video equipment	4.0	1.3	–	–		–	5.3
Leasehold improvements	138.4	29.9	–	(2.4)		–	165.9
	692.9	152.2	–	(40.3)	(0.2)	0.6	805.2

Net book value		
	31 Dec 2018 R'm	31 Dec 2017 R'm
Land and buildings	3 379.8	3 030.7
Computer equipment	134.6	107.1
Computer software*	8.1	6.4
Furniture, fittings and equipment	119.1	95.8
Motor vehicles	21.5	18.0
Video equipment	2.2	1.0
Leasehold improvements	277.8	253.6
	3 943.1	3 512.6

* An amount of R0.8 million relating to borrowing costs capitalised was re-allocated to computer software from proprietary technology systems.

Included in land and buildings is an amount of R31.7 million (2017: R38.9 million) which relates to buildings that are still in progress.

NOTES TO THE CONSOLIDATED *financial statements*

for the year ended 31 December 2018 (*continued*)

13. Property, plant and equipment (*continued*)

Included in leasehold improvements is an amount of R8.6 million (2017: R2.0 million) which relates to improvements that are still in progress.

The amount of borrowing costs capitalised to current year additions amounted to R13.4 million (2017: R5.4 million) at a capitalisation rate of 8.9% (2016: 8.9%).

Although property, plant and equipment are held under the cost model, the group obtained an independent valuation of its fixed property during 2016. The valuation was conducted by the Quadrant Property Group, a group of independent sworn valuers. Their valuation based on present land use amounted to R3 384.1 million, a premium of R1 010.1 million or 43% over book value as at December 2016. This valuation does not include the fixed property acquired as part of the current year business combinations, which have been recognised at fair value.

Valuations are done on a triennial basis with the next valuation due in 2019.

Land and buildings having a net book value of R2 179.0 million (2017: R1 214.6 million) have been pledged as security for the banking facilities (refer to note 26 and 27).

	Cost						
	1 Jan 2017 R'm	Additions R'm	Acquisitions through business combi- nations R'm	Disposals R'm	Foreign currency effect R'm	Reallocation R'm	31 Dec 2017 R'm
2017							
Land and buildings	2 488.3	521.0	169.4	(13.7)	(1.9)	(6.2)	3 156.9
Computer equipment	243.0	70.5	2.0	(12.6)	–	0.5	303.4
Computer software	12.2	3.2	–	(1.8)	–	0.6	14.2
Furniture, fittings and equipment	232.0	42.3	6.0	(4.8)	(0.1)	6.7	282.1
Motor vehicles	44.4	7.4	1.1	(1.0)	–	–	51.9
Video equipment	4.2	0.8	–	–	–	–	5.0
Leasehold improvements	350.7	44.4	–	(1.5)	–	(1.6)	392.0
	3 374.8	689.6	178.5	(35.4)	(2.0)	–	4 205.5
	Accumulated depreciation and impairment						
	1 Jan 2017 R'm	Depreciation R'm	Acquisitions through business combi- nations R'm	Disposals R'm	Foreign currency effect R'm	Reallocation R'm	31 Dec 2017 R'm
Land and buildings	114.3	14.6	–	(0.6)	(0.1)	(2.0)	126.2
Computer equipment	163.4	44.5	–	(11.7)	–	0.1	196.3
Computer software	6.1	3.0	–	(1.3)	–	–	7.8
Furniture, fittings and equipment	158.2	29.5	–	(4.3)	–	2.9	186.3
Motor vehicles	28.1	6.8	–	(1.0)	–	–	33.9
Video equipment	3.1	0.9	–	–	–	–	4.0
Leasehold improvements	112.9	27.9	–	(1.4)	–	(1.0)	138.4
	586.1	127.2	–	(20.3)	(0.1)	–	692.9



	Net book value	
	31 Dec 2017 R'm	31 Dec 2016 R'm
Land and buildings	3 030.7	2 374.0
Computer equipment	107.1	79.6
Computer software	6.4	6.1
Furniture, fittings and equipment	95.8	73.8
Motor vehicles	18.0	16.3
Video equipment	1.0	1.1
Leasehold improvements	253.6	237.8
	3 512.6	2 788.7

	Note	Audited 2018 R'm	Audited 2017 R'm
14. Proprietary technology systems			
Cost			
Balance at beginning of the year*		118.7	90.3
Additions		23.1	28.4
Balance at end of the year		141.8	118.7
Accumulated amortisation			
Balance at beginning of the year		55.4	45.0
Amortisation expense	6	13.1	10.4
Balance at end of the year		68.5	55.4
Carrying amount			
At beginning of the year		63.3	45.3
At end of the year		73.3	63.3
* An amount of R0.8 million relating to borrowing costs capitalised was re-allocated to computer software from proprietary technology systems. The student academic management system for schools and tertiary forms the bulk of the amount above. Useful lives of between six and ten years are used in the calculation of amortisation on a straight-line basis. Included in computer software is an amount of R26.8 million (2017: R27.2 million) which relates to systems that are still under development.			
15. Goodwill			
Cost			
Balance at beginning of the year		1 305.3	1 170.1
Additional amounts recognised from business combinations occurring during the year	36.1	129.6	137.1
Acquisition price adjustment	36.3	12.2	–
Disposal of subsidiary	36.2	(2.1)	–
Foreign currency effect		20.6	(1.9)
Balance at end of the year		1 465.6	1 305.3

The group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.



NOTES TO THE CONSOLIDATED *financial statements*

for the year ended 31 December 2018 (*continued*)

15. Goodwill (*continued*)

When testing goodwill for impairment, the recoverable amounts of the cash-generating units (CGUs) are determined using value-in-use calculations taking into account estimated discount rates and growth rates. Goodwill is allocated to each CGU depending on the nature of the underlying business and the cash flows which support the recognition of the goodwill.

Cash flow projections for financial forecasts are based on expected revenue, operating margins, working capital requirements and capital expenditure. The future cash flows are determined taking the actual cash flow for the current year inflated by an expected growth rate for the CGU being considered. Growth rates applied are determined based on past experience within the CGU. Growth rates can fluctuate from year to year based on the assumptions used to determine these rates. A terminal value has been conservatively determined based on a growth rate of five percent (2017: zero percent).

The discount rates present the current market assessment of the risks for each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow projections. The discount rate calculations are derived from the weighted average cost of capital and takes into account both the cost of debt and the cost of equity. The cost of equity was arrived at by using the capital asset pricing model (CAPM) which, where necessary, takes into account an equity risk premium. The CAPM uses market betas of comparable entities in arriving at the cost of equity. The cost of debt is based on the interest-bearing borrowings the group is obliged to service. The debt to equity ratio was determined by applying theoretical target gearing levels, giving consideration to industry averages and using data of comparable entities.

Notwithstanding the conservative assumptions used in the assessments, no impairments are required. The key assumptions used are as follows:

2018	Goodwill R'm	Indefinite life intangible assets R'm	Period of projected cash flows Years	Applied growth rate %	Terminal growth rate %	Discount rate %
Cash-generating unit						
Schools	1 261.0	126.6	5	5.0	5.0	13.08
Tertiary	171.8	–	5	5.0	5.0	13.08
Resourcing	32.8	–	5	5.0	5.0	13.58
	1 465.6	126.6				

2017		Indefinite life intangible assets R'm	Period of projected cash flows Years	Applied growth rate %	Terminal growth rate %	Discount rate %
Cash-generating unit	Goodwill R'm					
Schools	1 100.2	114.8	5	8.0	0.0	11.65
Tertiary	172.3	–	5	10.0	0.0	11.65
Resourcing	32.8	–	5	7.0	0.0	11.65
	1 305.3	114.8				

Goodwill acquired is allocated to the group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination. The CGUs represent the lowest level within the group at which goodwill is monitored for internal management purposes and is aligned to the operating segments. These CGUs are used for the purpose of performing the goodwill impairment calculations.

The directors believe that any reasonable possible change in the key assumptions on which the recoverable amounts are based would not cause the aggregate carrying amount to exceed the aggregate recoverable amounts of the CGUs.

The directors were satisfied that there were no impairment adjustments required.



	Notes	Customer bases R'm	Brand values R'm	Total audited R'm
16. Intangible assets				
Cost				
Balance at 1 January 2017		153.9	117.9	271.8
Additions through business combinations		0.8	19.9	20.7
Foreign currency effect		(1.0)	(0.3)	(1.3)
Balance at 1 January 2018		153.7	137.5	291.2
Additions through business combinations	36.1	3.9	11.7	15.6
Foreign currency effect		2.2	2.2	4.4
At 31 December 2018		159.8	151.4	311.2
Accumulated amortisation and impairment				
Balance at 1 January 2017		56.3	8.9	65.2
Amortisation expense	6	14.6	3.1	17.7
Balance at 1 January 2018		70.9	12.0	82.9
Impairment		–	3.2	3.2
Amortisation expense	6	12.0	2.1	14.1
At 31 December 2018		82.9	17.3	100.2
Carrying amount				
As at 31 December 2017		82.8	125.5	208.3
As at 31 December 2018		76.9	134.1	211.0

The following useful lives are used in the calculation of amortisation on a straight-line basis:

	Total useful life	Remaining useful life
Customer bases	1 to 15 years	1 to 14 years
Brand values	3 to 10 years, indefinite life	1 to 8 years, indefinite life

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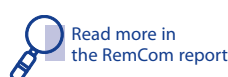
The brand value of a school increases over time as the school builds a reputation amongst its students and parents. The brand value of various schools acquired having a carrying amount of R126.6 million (2017: R114.8 million) have a life span in excess of 20 years and therefore an indefinite period of amortisation was selected. Refer to note 15 for details of the assumptions applied in assessing the indefinite useful life intangible assets for impairment.

Intangible assets with a carrying value of R3.2 million relating to the brand values of Summit College and Kathstan College (in the schools division) were impaired during the year. The reason for the impairment was the re-branding of these schools as Pinnacle College Kyalami and Pinnacle College Rynfield.

17. ADvTECH share incentive scheme

Certain employees and executive directors are eligible to participate in the scheme. The option offer value is the closing price at which shares are traded on the JSE Limited on the trading day immediately preceding the offer date. Share options accepted by participants are exercisable at intervals of two, four and six years after the offer date. On exercise of the options, the participant pays the Share Incentive Trust an amount equal to the offer price multiplied by the number of options exercised. Except for exceptional circumstances, if a participant leaves the employ of the group prior to exercising the options, the options lapse. Variations to the vesting periods are possible on issue with the written consent of the remuneration committee of the board and the trustees of the trust. This share incentive scheme is equity-settled. No new options will be granted under this scheme as it has been replaced by the MSI as disclosed in note 18.

	Expiry date year ending	Exercise price of outstanding options (cents)	Weighted average estimated contractual life (years)	Fair value at grant date (cents)
Date options granted				
7 December 2012	31 Dec 2018	580	3.8	137
21 October 2013	31 Dec 2019	664	4.3	176
2 October 2014	31 Dec 2020	820	4.2	235
19 November 2015	31 Dec 2021	1 260	3.8	423
20 October 2016	31 Dec 2022	1 696	3.5	597
6 March 2017	31 Dec 2023	1 859	3.2	646





NOTES TO THE CONSOLIDATED *financial statements*

for the year ended 31 December 2018 (*continued*)

	Number of share options	Weighted average exercise price (cents)	Number of share options	Weighted average exercise price (cents)
Reconciliation of options	2018		2017	
17. ADvTECH share incentive scheme (<i>continued</i>)				
Options outstanding on 1 January	4 768 563	1 165	8 314 769	1 161
Add – Options granted during the year	–	–	41 100	1 859
Less – Exercised	(1 080 117)	775	(1 514 702)	867
– Lapsed	(274 667)	1 339	(2 072 604)	1 381
Options outstanding at 31 December	3 413 779	1 274	4 768 563	1 165

As at 31 December 2018 there were 83 (2017: 96) participants (including executive directors) in the ADvTECH share incentive scheme.

	Number of shares		Loan receivable R'm	
Reconciliation of shares owned	2018	2017	2018	2017
Shares owned by the trust as at 1 January	7 023 600	10 319 590	39.3	57.8
Less – Shares transferred to MSI (Refer to note 18)	(2 130 426)	(1 781 288)	(11.9)	(10.0)
– Options exercised during the year	(1 080 117)	(1 514 702)	(6.0)	(8.5)
Shares owned by the trust at 31 December	3 813 057	7 023 600	21.4	39.3

The groups of persons to whom the shares will be allocated by the trust have been identified.

The loan receivable from the trust is unsecured, interest free and has no fixed terms of repayment.

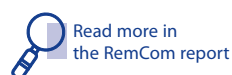
The loan is eliminated on a group basis but is reflected in the company annual financial statements.

The fair values relating to the share option expense were calculated using the Bermudan Binomial model. The inputs into the model of options granted during the prior year were as follows:

	2017
Weighted average exercise price (cents)	1 859
Expected volatility	23%
Expected life	5.2 years
Risk free rate	9%
Expected dividend yield	2%

Expected volatility was determined by calculating the historical volatility of the company's share price over the previous six years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The group recognised total expenses of R4.4 million (2017: R6.3 million) related to share-based payment transactions during the year.





18. ADvTECH management Share Incentive Scheme (MSI)

Certain employees and executive directors are eligible to participate in the scheme. Share awards accepted by participants vest three years after the offer date subject to certain performance and retention criteria being met. Participants that were in the ADvTECH share incentive scheme had to forfeit any share options that would have vested in 2020 and after to be able to take up the share awards in the new MSI. The MSI was treated as a modification of the previous share incentive scheme as the participants of this scheme were also participants of the previous scheme. In addition, the forfeiture of the options is part of the transactions relating to awards under the MSI and would not have been required if the MSI scheme was not implemented. Participants will receive dividends and have voting rights in the three years before these shares vest. The management share incentive scheme is equity-settled.

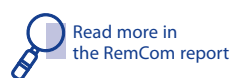
Date awards granted	Vesting date year ending	Fair value of awards granted (cents)
28 September 2017	31 Dec 2020	1 715
27 September 2018	31 Dec 2021	1 485

	Number of share awards	Weighted average exercise price (cents)	Number of share awards	Weighted average exercise price (cents)
Reconciliation of awards	2018		2017	
Awards outstanding on 1 January	1 781 288	1 715	–	–
Add – Awards granted during the year	2 266 166	1 485	1 781 288	1 715
– Forfeited	(135 744)	1 715	–	–
Awards outstanding at 31 December	3 911 710	1 604	1 781 288	1 715

As at 31 December 2018 there were 37 (2017: 36) participants (including executive directors) in the MSI.

	Number of shares	
Reconciliation of shares owned	2018	2017
Shares owned by the group as at 1 January	1 781 288	–
Add – Shares bought from the Share Incentive trust (Refer to note 17)	2 130 426	1 781 288
Shares owned by the group at 31 December	3 911 714	1 781 288

The group recognised total expenses of R2.8 million (2017: R2.0 million) related to the MSI during the year.



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NOTES TO THE CONSOLIDATED *financial statements*

for the year ended 31 December 2018 (*continued*)

	Audited 2018 R'm	Restated Audited 2017 R'm
19. Deferred taxation		
Opening deferred taxation	(94.6)	(94.1)
Adjustment to opening balance	–	4.6
Restated opening deferred taxation	(94.6)	(89.5)
	(9.4)	8.5
Current year temporary differences	(11.5)	9.0
Foreign currency effect	0.1	(0.9)
Movement in deferred taxation assets relating to taxation losses	2.0	0.4
Business combinations	(4.4)	(13.7)
Prior year (under)/over provision	(4.3)	0.1
Balance at end of the year	(112.7)	(94.6)
The deferred tax balance is disclosed as follows:		
Deferred taxation assets	12.6	13.5
Deferred taxation liabilities	(125.3)	(108.1)
	(112.7)	(94.6)
Deferred taxation assets of R3.8 million (2017: R2.4 million) relating to taxation losses were raised in businesses where it is probable that sufficient taxable profits will be available in future to utilise the taxation losses.		
The remaining deferred taxation assets of R 8.8 million (2017: R 11.1 million) relate to temporary differences arising in profitable businesses and it is probable that sufficient taxable profits will be available in future to realise these assets.		
The balance comprises:		
Deferred and prepaid expenditure	(4.2)	(4.6)
Allowance for future expenditure (S24C)	(78.3)	(67.3)
Fees received in advance	93.6	100.2
Commercial building allowance	(61.1)	(47.2)
Allowance for doubtful debts	48.8	35.9
Leave pay accrual	6.2	5.3
Property, plant and equipment allowances	(26.3)	(22.3)
Estimated taxation losses carried forward	3.8	2.4
Lease smoothing	10.2	9.5
Bonus provision	9.2	9.8
Management share incentive scheme awards (MSI)	1.4	0.6
Intangible assets	(53.9)	(54.6)
Fair value of land and buildings on acquisitions	(62.1)	(62.3)
	(112.7)	(94.6)
Deferred taxation accounted for in the statement of profit or loss:		
Deferred and prepaid expenditure	0.4	(3.2)
Allowance for future expenditure (S24C)	(6.8)	(15.9)
Fees received in advance	(6.6)	23.0
Commercial building allowance	(13.9)	(11.1)
Allowance for doubtful debts	12.9	8.3
Leave pay accrual	0.9	0.7
Property, plant and equipment allowances	(4.0)	(1.1)
Movement in taxation losses	1.6	0.5
Lease smoothing	0.7	1.4
Bonus provision	(0.6)	(1.4)
Management share incentive scheme awards (MSI)	0.8	0.6
Intangible assets	5.0	6.3
Fair value of land and buildings on acquisitions	0.2	0.4
	(9.4)	8.5



	Audited 2018 R'm	Audited 2017 R'm
20. Investment in joint arrangement/Investment		
Investment (15%) held at 1 January	12.0	12.0
Exercise of option and disposal of 50% of share capital	(10.2)	–
Disposal of 50% of the share capital	(6.0)	–
Net loss on financial asset at FVTPL	(4.2)	–
Carrying value of 50% investment	1.8	–
Gain on bargain purchase of acquisition of 50% of the share capital	4.2	–
Share of profit from joint arrangement	0.2	–
Investment (50% (2017: 15%)) held at 31 December	6.2	12.0
The group held 15% of the ordinary share capital of Star Schools Proprietary Limited (operating in South Africa), a company involved in matric re-writes and the supply of educational study guides. During 2017, the directors of the company could not exercise significant influence over Star Schools Proprietary Limited as the other 85% of the ordinary share capital was held by two other shareholders, who managed the day-to-day operations of that company. The 15% interest was held as an investment. The group had an option, which was exercised in the current year, to acquire the balance of the shares in Star Schools Proprietary Limited and simultaneously disposed of 50% of the acquired share capital for R6 million. The purchase price was determined at the time in accordance with the agreement, based on the average annual profit after taxation for the preceding 24 months. Based on this transaction, the 15% held was measured at a carrying amount of R1.8 million resulting in a net loss on the financial asset through profit and loss of R4.2 million. Subsequent to the transaction, the 50% interest held was classified as a joint arrangement and a gain on bargain purchase of R4.2 million was realised.		
Summarised aggregated financial information		
Revenue	30.6	–
Profit for the year	0.6	–
Current assets	4.7	–
Non-current assets	2.9	–
Current liabilities	(1.3)	–
Non-current liabilities	(2.2)	–
Net asset value of star schools	4.1	–
Proportion of group's interest	2.1	–
Inherent goodwill	4.1	–
Carrying value of group's interest	6.2	–
The investment in Star Schools Proprietary Limited forms part of the schools division. The recoverable amount of the investment has been assessed with reference to the fair value determined based on the disposal of 50% interest.		



NOTES TO THE CONSOLIDATED *financial statements*

for the year ended 31 December 2018 (*continued*)

	Audited 2018 R'm	Restated Audited 2017 R'm
21. Inventories		
Books	7.1	5.1
Other	12.7	2.9
	19.8	8.0
22. Trade and other receivables		
Amounts receivable for tuition fees	415.0	316.9
Amounts receivable for placement fees	33.1	44.7
Amounts receivable from the sale of goods and services	1.0	0.7
Trade receivables	449.1	362.3
Loss allowance	(237.9)	(172.6)
	211.2	189.7
Other receivables	50.6	98.7
	261.8	288.4

Unallocated receipts previously classified as trade and other payables have been classified as trade and other receivables. Comparative figures have been restated (2017: R18.7 million and 2016: R20.1 million).

The average credit period on sales of goods is 37 days. No interest is charged on outstanding trade receivables.

The group always measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses (ECL). The expected credit losses on trade receivables are estimated using a provision calculation by reference to past default experience of the debtor category, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The valuation techniques previously adopted did focus on the future expected recoverability of the debtors. There has been no change in the estimation techniques or significant assumptions made during the current reporting period and accordingly no changes in the prior period expected credit losses.

The group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. Trade receivables that have been written off remain subject to enforcement activities.

The following table details the risk profile of trade receivables based on the group's provision calculation. As the group's historical credit loss experience does show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is further distinguished between the group's different customer bases.



22. Trade and other receivables (continued)

Education institutions

	Performing	In default	Total	Performing	In default	Total
	2018			2017		
Gross carrying amount	61.3	353.7	415.0	54.6	262.3	316.9
Lifetime ECL	–	(235.8)	(235.8)	–	(170.8)	(170.8)
	61.3	117.9	179.2	54.6	91.5	146.1

Resourcing

	Performing	Overdue	In default	Total	Performing	Overdue	In default	Total
	2018				2017			
Estimated total gross carrying amount at default	19.2	12.8	2.1	34.1	25.4	18.2	1.8	45.4
Lifetime ECL	–	–	(2.1)	(2.1)	–	–	(1.8)	(1.8)
	19.2	12.8	–	32.0	25.4	18.2	–	43.6

The following table shows the movement in lifetime ECL that has been recognised for trade and other receivables in accordance with the simplified approach set out in IFRS 9.

	Collectively assessed	
	Lifetime ECL – credit impaired	
	2018	2017
Balance as at 1 January 2017 and 1 January 2018 (No adjustment processed upon application of IFRS 9)	172.6	135.6
Net remeasurement of loss allowance	114.8	106.8
Amounts written off	(45.0)	(63.1)
Business combinations	1.0	–
Amounts recovered	(5.5)	(6.7)
Balance at end of the year	237.9	172.6

No loss allowance has been included against the performing and doubtful categories as these trade receivables are not credit impaired which is consistent with the credit risk grading framework.

The below table explain how significant changes in the gross carrying amount of the trade receivables contributed to changes in the loss allowance:

	Increase/(decrease) in lifetime ECL			
	Not credit-impaired	Credit-impaired	Not credit-impaired	Credit-impaired
	2018		2017	
Increase in education institution trade receivables	6.7	91.4	19.6	44.7
(Decrease)/increase in resourcing trade receivables	(11.6)	0.3	17.7	0.5
Settlement in part by certain tertiary brand's trade receivables that were more than 365 days past due	–	(53.9)	–	(47.8)
Increase in trade receivables due to business combinations	31.6	1.0	5.1	–



NOTES TO THE CONSOLIDATED *financial statements*

for the year ended 31 December 2018 (*continued*)

	Audited 2018 R'm	Restated Audited 2017 R'm
23. Cash and cash equivalents		
Bank balances	228.5	109.6
Bank overdraft	(48.4)	(213.3)
Cash	0.4	0.3
	180.5	(103.4)

Bank balances and cash comprise cash held by the group and short-term bank deposits with an original maturity of three months or less. The carrying value of these assets approximates their fair value.

The carrying amounts of the group's bank balances are denominated in the local currencies of the underlying operations.

Nature of monetary item	Foreign currency	Foreign currency 2018 'm	Foreign currency 2017 'm	Rand equivalent 2018 R'm	Rand equivalent 2017 R'm
24. Foreign currency exposure					
Trade debtors	US Dollar	0.4	–	5.3	–
Trade credit	US Dollar	0.3	0.02	0.4	0.3
Trade credit	Euro	–	0.01	–	0.2

25. Stated capital

Authorised

1 000 000 000 shares of no par value (2017: 1 000 000 000 shares)

	Number of shares 2018 'm	Stated capital 2018 R'm	Number of shares 2017 'm	Stated capital 2017 R'm
Issued				
Balance at 1 January	544.4	1 481.9	544.4	1 481.9
Shares issued to settle contingent consideration	2.2	32.1	–	–
Balance at 31 December	546.6	1 514.0	544.4	1 481.9

The unissued shares are under the control of the directors subject to the provisions of the Companies Act, the requirements of the JSE Limited and in certain circumstances shareholders approval.



	Audited 2018 R'm	Audited 2017 R'm
26. Long-term bank loans		
Secured term loan	1 500.0	750.0
Mortgage loan	1.9	4.6
Fixed-term loan	3.8	9.1
	1 505.7	763.7
Disclosed as:		
Current liabilities	5.7	12.2
Non-current liabilities	1 500.0	751.5
	1 505.7	763.7

The directors consider that the carrying amount of long-term bank loans approximates their fair value.

Secured term loan

On 28 September 2018, the secured term loan was replaced by three new secured term facilities, namely secured term loan A, B and C.

Secured term loan A is a three year facility amounting to R500.0 million which came into effect on 28 September 2018 and attracts interest at JIBAR + 1.65%.

Secured term loan B is a four year facility amounting to R500.0 million which came into effect on 28 September 2018 and attracts interest at JIBAR + 1.775%.

Secured term loan C is a five year facility amounting to R500.0 million which came into effect on 28 September 2018 and attracts interest at JIBAR + 1.90%.

These facilities are secured by mortgage bonds over properties having a net book value of R2 145.3 million. Refer to note 13.

Secured term loan A, B and C each allow for an additional drawdown of R100.0 million which is conditional on the successful conclusion of the Monash South Africa acquisition.

Prior to 28 September 2018, a five year facility amounting to R750.0 million was available which came into effect on 15 December 2015 and attracted interest at JIBAR + 2.00%.

These facilities were secured by mortgage bonds over properties having a net book value of R1 180.9 million. Refer to note 13.

Mortgage loan

This is a 10 year facility which came into effect on 31 October 2012, repayable in monthly instalments, that bears interest at 8.50% per annum, secured by a mortgage on freehold land and buildings with a net book value of R33.7 million (2017: R33.7 million). Refer to note 13.

Fixed-term loan

The loan is from FirstRand Bank for a period of 5 years which came into effect on 7 March 2014 and is secured by signed surety from Maragon Private Schools Ruimsig (Pty) Ltd and Maravest (Pty) Ltd for a value of R27.0 million and it bears interest at prime plus 1%.

Refer to note 35 for details on securities on the term loans.



NOTES TO THE CONSOLIDATED *financial statements*

for the year ended 31 December 2018 (*continued*)

	Audited 2018 R'm	Restated Audited 2017 R'm
27. Short-term bank loan		
Revolving credit facility	590.0	750.0
	590.0	750.0

This facility is secured by mortgage bonds over properties having a net book value of R2 145.3 million (2017: R1 180.9 million). Refer to note 13 and 26.

The directors consider that the carrying amount of the short-term bank loan approximates its fair value.

Revolving credit facility

From 28 September 2018, this represents a R800.0 million revolving credit facility that is available to the group for a three year period commencing on 28 September 2018. The revolving credit facility allows for an increase in its facility of R150.0 million which is conditional on the successful conclusion of the Monash South Africa acquisition.

The facility utilised attracts interest at the following rates:

- total net borrowings to EBITDA ratio less than 1.5: JIBAR + 1.625%
- total net borrowings to EBITDA ratio less than 2.5 and greater than or equal to 1.5: JIBAR + 1.775%
- total net borrowings to EBITDA ratio greater than or equal to 2.5: JIBAR + 1.925%

The group has the option to make draw-downs for periods of one, three and six months and may elect to roll these for further periods.

Prior to 28 September 2018, this represented a R750.0 million revolving credit facility that was available to the group for a five year period commencing on 15 December 2015.

The facility utilised attracted interest at the following rates:

- total net borrowings to EBITDA ratio less than 1.5: JIBAR + 1.75%
- total net borrowings to EBITDA ratio less than 2.5 and greater than or equal to 1.5: JIBAR + 2.00%
- total net borrowings to EBITDA ratio greater than or equal to 2.5: JIBAR + 2.25%

The group had the option to make draw-downs for periods of one, three and six months and could elect to roll these for further periods.

Refer to note 35 for details on securities.

	Audited 2018 R'm	Restated Audited 2017 R'm
28. Trade and other payables		
Trade payables and accruals	381.7	344.2
Leave pay accrual	22.7	19.2
	404.4	363.4
Unallocated receipts previously classified as trade and other payables have been classified as trade and other receivables. Comparative figures have been restated (2017: R18.7 million and 2016: R20.1 million). Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The directors consider that the carrying amount of trade payables, including the leave pay accrual, approximates their fair value. The average credit period on purchases is two months. No interest is charged on trade payables for the first 60 days from date of invoice. The group has financial risk management policies in place to ensure that payables are paid within the credit time frame.		
29. Acquisition liabilities		
Acquisition liabilities	72.9	49.0
A portion of the acquisition consideration of Pinnacle College Kyalami (previously Summit Colleges) is settled through the provision of bursaries to students. The programme commenced on 1 January 2016 and runs for a period of 25 years. The carrying value represents the present value using a 9% discount rate. Deferred consideration amounting to R21.8 million is payable to the vendors of Makini Schools Limited.		

	Audited 2018 R'm	Restated Audited 2017 R'm	Restated Audited 2016 R'm
30. Fees received in advance and deposits			
Fees received in advance ⁱ	304.1	347.5	274.8
Deposits ⁱⁱ	58.4	83.8	29.0
Total	362.5	431.3	303.8
There were no significant changes in the contract liability balance during the reporting period. The following table shows the amount of the revenue recognised in the current reporting period that relates to brought forward contract liabilities. There was no revenue recognised in the current reporting period that related to performance obligations that were satisfied in a prior year. Revenue recognised that was included in the contract liability balance at the beginning of the period:			
Fees received in advance	347.5	274.8	

ⁱ The fees received in advance, representing a contract liability, is recognised over time as the education services are delivered. It represents performance obligations that are unsatisfied (or partially unsatisfied) as at the end of the reporting period. Management expects that 100% of the fees received in advance allocated to the unsatisfied contracts as of 31 December 2018 and 31 December 2017 will be recognised as revenue during the next reporting period.

ⁱⁱ The deposits are refundable and therefore has no impact on revenue recognised. Accordingly this is not a contract liability but rather a financial instrument, refer to note 32.



NOTES TO THE CONSOLIDATED *financial statements*

for the year ended 31 December 2018 (*continued*)

	Audited 2018 R'm	Audited 2017 R'm
31. Commitments		
31.1 Capital commitments		
Capital expenditure approved by the directors:		
Contracted but not provided for	819.3	357.5
Not contracted	1 081.8	1 553.5
	1 901.1	1 911.0
Capital commitments will be financed through existing facilities and working capital.		
Anticipated timing of spend:		
0 – 2 years	1 170.6	627.3
3 – 5 years	360.7	572.1
more than 5 years	369.8	711.6
	1 901.1	1 911.0
31.2 Operating lease commitments in cash		
Commitments under non-cancellable operating leases are as follows:		
Premises:		
Due within one year	123.3	91.7
Due within two to five years	205.1	138.4
Due thereafter	115.1	56.6
	443.5	286.7
Equipment:		
Due within one year	6.2	5.7
Due within two to five years	3.5	3.8
	9.7	9.5
	453.2	296.2
The operating leases relate to premises and equipment with various lease terms. The commitments include specified escalations in lease payments.		



	Audited 2018 R'm	Audited 2017 R'm
32. Financial instruments		
Categories of financial instruments		
Financial assets		
Amortised cost		
Trade and other receivables	261.8	288.4
Bank balances and cash	228.9	109.9
FVTPL		
Investment	–	12.0
Financial liabilities		
Amortised cost		
Long-term bank loans	1 505.7	763.7
Short-term bank loan	590.0	750.0
Trade and other payables	404.4	363.4
Deposits	58.4	83.8
Shareholders for dividends	1.3	1.6
Bank overdraft	48.4	213.3

Financial risk management objectives and policies

The group's principal financial instruments comprise bank loans, investment, bank and cash equivalents and various items such as trade receivables and payables that arise directly from operations. All financial instruments are carried at amortised cost except for investments which are categorised as FVTPL. The main purpose of these instruments is to finance the group's operations.

The support office function co-ordinates access to funds. The financial management function of the group monitors and manages the credit risk, liquidity risk and market risk (including interest rate risk, currency risk and other price risk).

Monthly reporting to the chief operating decision maker enables risk monitoring and enable risk exposure mitigation.

Capital risk management

The group manages its capital to ensure that subsidiaries/divisions will be able to continue as going concerns while maximising the return to stakeholders through optimisation of the debt and equity balance. The group's overall strategy remains unchanged.

The capital structure of the group consists of bank and cash equivalents, equity, comprising stated capital, reserves, retained earnings, secured term loan and short-term bank loan.

Capital projects are timed to coincide with additional capacity required to ensure facilities are utilised on completion.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established appropriate liquidity risk management procedures for the management of the group's short-, medium- and long-term funding and liquidity management requirements. The group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by daily monitoring forecast and actual cash flows, and by assessing the maturity profiles of financial assets and liabilities. Surplus funds are placed on short-term deposits.

Bank overdraft, term loans and revolving credit facilities available at 31 December 2018 amounted to R2 548.8 million (2017: R1 954.2 million) of which R2 144.1 million (2017: R1 727.0 million) has been utilised at year-end.

All financial assets are expected to be realised within 1 year.



NOTES TO THE CONSOLIDATED *financial statements*

for the year ended 31 December 2018 (*continued*)

32. Financial instruments (*continued*)

The table below analyses the group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Capital outflow as at 31 December 2018		Capital outflow as at 31 December 2017	
	Less than 1 year R'm	Between 1 and 5 years R'm	Less than 1 year R'm	Between 1 and 5 years R'm
Secured term loan	–	1 500.0	–	750.0
Mortgage loan	3.8	–	4.6	–
Fixed term loan	1.9	–	7.7	1.4
Revolving credit facility	590.0	–	750.0	–
Trade and other payables	404.3	–	382.1	–
Deposits*	58.4	–	83.8	–
Bank overdraft	48.4	–	213.3	–
Total	1 106.8	1 500.0	1 441.5	751.4

* Fees in advance (that was previously disclosed in this table) has been removed as it is not a financial instrument and does not result in a cash outflow.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The group's credit risk is primarily attributable to its trade receivables. The amounts presented in the statement of financial position are shown net of expected loss allowances. The group has no concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Credit risk controls are in place in the form of upfront deposits before enrolment. Other monitoring procedures are also in place to ensure that follow-up action is taken to recover overdue debts or ultimately the suspension of delivery of services.

In order to minimise credit risk, the group has tasked its financial management to categorise exposures according to their degree of risk of default. The credit rating information is obtained from the group's own trading records which is based on historical trends while being cognisant of the current economic environment. The group's exposure is continuously monitored.

At the end of the reporting period the group reviews the recoverable amount of trade debtors to ensure that adequate loss allowance is made for irrecoverable amounts. In this regard, the directors of the company consider that the group's credit risk is significantly reduced.

The group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The group determines the expected credit losses on these items by using a provision calculation, estimated based on historical credit loss experience with focus on the categories of the credit risk framework of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Note 22 include further details on the loss allowance for trade and other receivables.

Bank balances and cash falls under a performing internal credit rating resulting in the consideration of 12 month expected credit loss. As bank balances and cash are held with reputable international banking institutions no loss allowance has been included against this balance.

Market risk

The group's activities expose it primarily to the financial risks of changes in interest rates and foreign currency exchange rates. Market risk exposures are separately measured as detailed in the respective notes below. There has been no change to the group's exposure to market risks or the manner in which these risks are managed and measured.



32. Financial instruments (continued)

Interest risk

The group is exposed to interest risk on the banking facilities and bank balances as these attract interest at floating interest rates. The group analyses its interest rate exposure and calculates the impact on profit or loss of an interest rate shift. Should it be appropriate swaps or other hedging instruments will be considered.

A sensitivity analysis have been determined based on the exposure to interest rates at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 1% increase or decrease is used as a reasonably possible change in interest rates.

If interest rates varied by 1% higher or lower and all other variables were held constant the group's profits before taxation would have increased or decreased by R13.5 million (2017: R10.3 million).

The group's sensitivity to interest rates have increased during the current year mainly due to the new long- and short-term bank loans in place as detailed in notes 26 and 27.

The group's exposure to interest rates on financial assets and financial liabilities are detailed in the table below:

	Interest rate	Interest outflow as at 31 December 2018		Interest outflow as at 31 December 2017	
		Less than 1 year R'm	Between 1 and 5 years R'm	Less than 1 year R'm	Between 1 and 5 years R'm
Secured term loan	Variable	134.0	403.3	68.6	137.2
Mortgage loan	Variable	0.4	–	0.5	–
Fixed term loan	8.50%	0.2	–	0.8	0.1
Revolving credit facility	Variable	3.8	–	5.5	–
Total		138.4	403.3	75.4	137.3

Foreign currency risk management

The group undertakes certain transactions denominated in foreign currencies. Hence, exposure to exchange rate fluctuations arises.

Material foreign exchange exposures are hedged with a corresponding foreign exchange contract (FEC). There were no unsettled FECs as at year-end.

The carrying amounts of the group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows.

	Liabilities		Assets	
	2018	2017	2018	2017
US Dollar	0.4	0.3	5.3	–
Euro	–	0.2	–	–

In the current year as well as the prior year, fluctuations in the exchange rates are unlikely to have a material impact on the group's results hence, the group's foreign currency exposure risk has not changed significantly year on year.

Fair value measurements

The directors consider that the carrying amount of the financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

All of the group's financial instruments, except for the investment, are carried at amortised cost and therefore not classified in terms of the fair value hierarchy.



NOTES TO THE CONSOLIDATED *financial statements*

for the year ended 31 December 2018 (*continued*)

	Notes	Audited 2018 R'm	Restated Audited 2017 R'm
33. Notes to the statement of cash flows			
33.1 Cash generated from operations			
Profit before taxation		592.5	537.8
Adjusted for non-cash IFRS and other adjustments (before taxation)		7.5	12.8
		600.0	550.6
Adjustments:		345.8	255.1
Depreciation, amortisation and impairment	6	182.6	155.3
Shares issued on settlement of contingent consideration		32.1	–
Net finance costs	7	132.7	99.1
Net loss on financial asset at FVTPL	20	4.2	–
Gain on bargain purchase of acquisition	20	(4.2)	–
Profit on disposal of subsidiary	6	(0.9)	–
(Profit)/loss on sale of property, plant and equipment	6	(0.7)	0.7
		945.8	805.7
33.2 Movement in working capital			
Increase in inventories		(4.7)	(1.3)
Decrease/(increase) in trade and other receivables and prepayments		39.9	(29.6)
Increase/(decrease) in trade and other payables and provisions		12.3	(14.6)
(Decrease)/increase in fees received in advance and deposits		(114.3)	85.4
(Increase)/decrease in working capital		(66.8)	39.9
33.3 Taxation paid			
Balance at beginning of the year		(6.3)	(8.3)
Business combinations		(1.1)	(0.3)
Current charge		(173.7)	(168.2)
Taxation on equity item		(4.4)	(4.6)
Foreign taxation credits		–	0.5
Balance at end of the year		(16.6)	6.3
Cash amount paid		(202.1)	(174.6)
33.4 Dividends paid			
Balance at beginning of the year		(1.6)	(1.0)
Declared during the year	12	(190.5)	(186.7)
Balance at end of the year		1.3	1.6
Cash amount paid		(190.8)	(186.1)
33.5 Additions to property, plant and equipment to maintain operations			
Land and buildings		(40.9)	(36.5)
Computer equipment		(56.7)	(59.1)
Computer software		(2.2)	(2.0)
Furniture, fittings and equipment		(27.4)	(26.9)
Motor vehicles		(6.1)	(6.0)
Video equipment		(1.9)	(0.8)
Leasehold improvements		(8.8)	(24.4)
		(144.0)	(155.7)

	Notes	Audited 2018 R'm	Restated Audited 2017 R'm
33. Notes to the statement of cash flows <i>(continued)</i>			
33.6 Additions to property, plant and equipment to expand operations			
Land and buildings		(288.6)	(479.9)
Computer equipment		(26.6)	(11.4)
Computer software		(1.7)	(0.4)
Furniture, fittings and equipment		(24.9)	(15.4)
Motor vehicles		(1.6)	(1.4)
Video equipment		(0.6)	–
Leasehold improvements		(45.2)	(20.0)
		(389.2)	(528.5)
33.7 Business combinations cash flows			
Additions to property, plant and equipment		(11.1)	(178.5)
Additions to other non-current assets		–	(0.4)
Additions to current assets		(35.1)	(44.3)
Additions to non-current liabilities		4.4	14.0
Additions to current liabilities		82.4	81.9
Additions to goodwill		(129.6)	(137.1)
Additions to intangible assets		(15.6)	(20.7)
Additions to non-controlling interests		(6.9)	(0.9)
Cash and cash equivalents acquired		(2.9)	20.9
Non-cash consideration		(0.5)	49.5
		(114.9)	(215.6)

34. Related party transactions

The parent and ultimate controlling party of the group is ADvTECH Limited.

Transactions between the company and its subsidiaries, which are related parties of the company, have been eliminated on consolidation and are not disclosed in this note.

Please refer to note 5 of the company annual financial statements for details of group entities.

Directors and prescribed officers

Details regarding directors' and prescribed officers' emoluments, share options and share awards under the MSI are disclosed in the remuneration committee report. Details regarding directors' and prescribed officers' interests are disclosed in the directors' report on pages 99 to 100.



Read more in
the RemCom report

35. Securities on term loans and short term bank loans

In terms of the group's banking arrangement, ADvTECH Limited, ADvTECH Resource Holdings (Pty) Ltd, ADvTECH Resourcing (Pty) Ltd, The Independent Institute of Education (Pty) Ltd, Innospan Investments (Pty) Ltd and Nanospan Investments (Pty) Ltd have issued to its bankers unlimited cross guarantees including cessions of loan accounts on behalf of each other's overdraft, secured term loans and revolving credit facilities. These facilities are also secured by mortgage bonds over properties having a net book value of R2 145.3 million. As at 31 December 2018 the amount of facilities utilised amounted to R2 090.0 million and overdrafts utilised amounted to R48.4 million as per notes 23, 26 and 27.



NOTES TO THE CONSOLIDATED *financial statements*

for the year ended 31 December 2018 (*continued*)

	Audited 2018 R'm
36. Business combinations	
36.1 Makini Schools Limited*	
A 71% interest resulting in control of Makini Schools Limited (via Schole Mauritius Limited) was acquired on 1 May 2018 for a consideration of R 111.5 million.	
Non-current assets acquired	
Intangible assets	15.6
Goodwill	129.6
Property, plant and equipment	11.1
Current assets acquired	
Cash and cash equivalents	(2.9)
Current assets ⁵	38.0
Non-current liabilities acquired	
Non-current liabilities	(4.4)
Current liabilities acquired	
Current liabilities	(82.4)
Non controlling interest⁶	6.9
	111.5
Revenue of R66.5 million and loss after taxation of R2.9 million has been recognised in the consolidated statement of profit or loss since acquisition date.	
Revenue of R93.9 million and loss after taxation of R7.9 million would have been recognised in the consolidated statement of profit or loss if the acquisition was done at the beginning of the annual reporting period.	
This acquisition was made as an addition to our schools division in line with our expansion strategy and provides access to an African market.	
The accounting for this business combination is still within the measurement period.	
36.2 Credo Business College Proprietary Limited	
The shareholding in Credo Business College Proprietary Limited was disposed of as at 1 January 2018 for a consideration of R4.0 million.	
Non-current assets disposed	
Intangible assets	(2.1)
Goodwill	(0.3)
Property, plant and equipment	
Other non-current assets	
Current assets disposed	
Current assets	(1.9)
Cash and cash equivalents	(0.1)
Non-current liabilities disposed	
Non-current liabilities	
Current liabilities disposed	
Current liabilities	0.3
Non controlling interest	1.0
Profit on disposal	(0.9)
Proceeds on disposal	(4.0)



	Audited 2018 R'm
36. Business combinations <i>(continued)</i>	
36.3 Elkanah House	
The purchase price allocation for Elkanah house was provisionally reported in 2017 and was still within the measurement period. Based on the final results of the purchase price allocation regarding assets and liabilities at acquisition, an increase in goodwill of R12.2 million was recorded. The effect on assets and liabilities at acquisition are as follows:	
Assets	
Goodwill	12.2
Amounts owing from previous owner	(2.5)
Other assets	0.7
Liabilities	
Fees received in advance	(8.6)
Other liabilities	(1.8)
	–

* The consideration paid for the business combinations effectively includes amounts which have been recognised as goodwill in relation to the benefit of expected synergies and expansion opportunities.

The non-controlling interest has been valued at its proportionate share of the net asset value.

⁵ Included in current assets are trade receivables with a fair value of R31.6 million. This equals the gross amount of contractual amounts receivable. There were no contractual cash flows at acquisition date that are not expected to be collected.

37. Going concern

The annual financial statements of the group and company are prepared on a going concern basis.

The negative working capital is due to fees received in advance where the obligation relates to providing services rather than the outflow of cash.

Nothing has come to the attention of the directors to indicate that the group and company will not remain a going concern for the foreseeable future.

38. Events after the reporting period

The acquisition of Monash South Africa which was concluded during 2018, and is subject to conditions precedent, will be implemented subsequent to year end once these conditions are fulfilled. The transaction consideration will entail an amount of R343 million, plus cash on hand and working capital adjustments at the effective date.

Other than the above matter and the dividend disclosed in note 12, the directors are not aware of any matter or circumstance between the date of the statement of financial position and the date of these financial statements that materially affects the results of the group and company for the year ended 31 December 2018 or the financial position at that date.

39. Settlement of contingent consideration

In terms of the sale of business agreement entered into between ADvTECH Limited and the previous owners of Maramedia Proprietary Limited (the vendors'), the purchase consideration was to be determined based on the earnings for the year ended 31 December 2015. Initially the fair value of the contingent consideration was determined to be nil but was nevertheless disclosed as a contingent liability.

Based on an arbitration award in favour of the vendors, 2.2 million ADvTECH Limited shares and related dividends with a combined value of R34.3 million was awarded in settlement of the contingent liability. As this adjustment falls outside the measurement period as defined by IFRS 3, it is therefore recognised in the current year in the statement of profit and loss.



COMPANY STATEMENT *of comprehensive income*

for the year ended 31 December 2018

	Notes	Audited 2018 R'm	Audited 2017 R'm
Revenue	1	150.0	180.0
Staff costs	2	(6.5)	(5.5)
Other operating income		3.4	0.1
Operating profit before interest and settlement		146.9	174.6
Settlement of contingent consideration*		(34.3)	–
Operating profit before interest	2	112.6	174.6
Finance costs paid	3	(0.3)	–
Profit before taxation		112.3	174.6
Taxation	4	–	–
Profit for the year[#]		112.3	174.6

* Refer to note 39 of the consolidated annual financial statements.

[#] The company did not earn other comprehensive income during the year.



COMPANY STATEMENT *of financial position*

as at 31 December 2018

	Notes	Audited 2018 R'm	Audited 2017 R'm
ASSETS			
Non-current assets			
Investments in subsidiaries at cost	5	658.4	658.4
Loan to Share Incentive Trust*		21.4	39.3
		679.8	697.7
Current assets			
Loans to subsidiaries	5	826.4	834.8
Trade and other receivables	6	36.2	35.1
Prepayments		0.1	–
		862.7	869.9
Total assets		1 542.5	1 567.6
EQUITY AND LIABILITIES			
Capital and reserves			
Stated capital	7	1 514.0	1 481.9
Share incentive reserve		32.1	14.5
Retained earnings		(9.5)	61.4
Total equity		1 536.6	1 557.8
Current liabilities			
Trade and other payables	8	2.1	3.2
Taxation		1.7	4.6
Shareholders for capital distribution		0.8	0.8
Shareholders for dividend		1.3	1.2
		5.9	9.8
Total equity and liabilities		1 542.5	1 567.6

* Refer to note 17 of the consolidated annual financial statements.



COMPANY STATEMENT *of changes in equity*

for the year ended 31 December 2018

	Note	Stated capital R'm	Share incentive reserve R'm	Retained earnings R'm	Total equity R'm
Balance at 1 January 2017		1 481.9	(6.1)	69.1	1 544.9
Total comprehensive income for the year				174.6	174.6
Dividends declared to shareholders*				(182.3)	(182.3)
Share options exercised**			4.6		4.6
Share awards under the management share incentive scheme (MSI)**			20.6		20.6
Taxation effect of share awards under the management share incentive scheme (MSI)			(4.6)		(4.6)
Balance at 31 December 2017		1 481.9	14.5	61.4	1 557.8
Total comprehensive income for the year				112.3	112.3
Dividends declared to shareholders*				(183.2)	(183.2)
Shares issued	7	32.1			32.1
Share options exercised**			2.3		2.3
Share awards under the management share incentive scheme (MSI)**			19.7		19.7
Taxation effect of share awards under the management share incentive scheme (MSI)			(4.4)		(4.4)
Balance at 31 December 2018		1 514.0	32.1	(9.5)	1 536.6

* Refer to note 12 of the consolidated annual financial statements.

** Refer to notes 17 and 18 of the consolidated annual financial statements for details on the share incentive schemes.



COMPANY STATEMENT *of cash flows*

for the year ended 31 December 2018

	Notes	Audited 2018 R'm	Restated Audited 2017 R'm
Cash flows from operating activities			
Cash utilised in operations	11.1	(5.3)	(5.4)
Movement in working capital	11.2	29.4	(0.3)
Cash generated by/(utilised in) operating activities		24.1	(5.7)
Finance costs paid	3	(0.3)	–
Taxation paid	11.3	(7.3)	–
Dividends paid	11.4	(183.1)	(182.1)
Net cash outflow from operating activities		(166.6)	(187.8)
Cash flows from financing activities			
Effects of share options exercised on the share option reserve		2.3	4.6
Movement in the loan to the Share Incentive Trust		6.0	8.5
Decrease in loans to subsidiaries		158.3	174.7
Net cash inflow from financing activities		166.6	187.8
Net increase in cash and cash equivalents		–	–
Cash and cash equivalents at beginning of the year		–	–
Cash and cash equivalents at end of the year		–	–

The restatement relates to reclassifying cash flows on share schemes to financing activities from investing activities.



NOTES TO THE COMPANY *financial statements*

for the year ended 31 December 2018

The accounting policies applied are consistent with the group accounting policies detailed on pages 106 to 117.

 [Read more about the accounting policies](#)

	Audited 2018 R'm	Audited 2017 R'm
1. Revenue		
1.1 Impact of IFRS 15 adoption		
In the current year, the company has applied IFRS 15 Revenue from contracts with customers with an effective date from 1 January 2018. Apart from providing more extensive disclosures on the company's revenue transactions, the application of IFRS 15 has had no impact on the financial position or financial performance of the company.		
1.2 Revenue		
The company derives its revenue from dividends from subsidiaries and is recognised at a point in time when the rights to receive payment have been established.		
Dividend received from subsidiary	150.0	180.0
2. Operating profit before interest		
Operating profit before interest is stated after taking the following into account:		
Auditors' remuneration – current year audit fee	1.3	1.0
Directors' emoluments – for services as directors	5.2	4.6
Directors' emoluments – vat on non-executive director fees	0.2	–
Staff costs	1.1	0.9
Total staff costs	6.5	5.5
3. Finance costs paid		
Interest paid to vendors	(0.3)	–
4. Taxation		
4.1 Taxation expense comprises		
Total taxation expense	–	–
4.2 Reconciliation of taxation		
Profit before taxation	112.3	174.6
Taxation at 28%	31.4	48.9
Permanent differences – non-taxable income	(31.4)	(48.9)
Disallowable expenditure – settlement of contingent consideration	9.6	–
Disallowable expenditure – legal and consulting fees	1.0	1.5
Non-taxable income (dividends received)	(42.0)	(50.4)
Taxation expense recognised in profit	–	–



	Issued share capital		Proportion held directly or indirectly		Interest of holding company				Princi- pal activity
					Shares		Loans receivable		
	31 Dec 2018 R	31 Dec 2017 R	31 Dec 2018 %	31 Dec 2017 %	31 Dec 2018 R'm	31 Dec 2017 R'm	31 Dec 2018 R'm	31 Dec 2017 R'm	
5. Investments in and loans to subsidiaries and joint arrangements									
Direct:									
The Independent Institute of Education (Pty) Ltd	2	2	100	100	101.2	101.2	791.4	548.3	1
Maravest (Pty) Ltd	1 000	1 000	100	100	497.4	497.4	27.0	27.0	2
Nascifon (Pty) Ltd	100	100	100	100	–	–	–	–	2
Maramedia (Pty) Ltd	100	100	100	100	–	–	–	–	1
ADvTECH Resource Holdings (Pty) Ltd	3 150 023	3 150 023	100	100	59.8	59.8	0.9	250.0	2
Indirect:									
ADvTECH Kenya Ltd (d)	119 560 239	2	100	–					1
ADvTECH Mauritius Ltd (a)	142 714	142 714	100	–					2
ADvTECH Resourcing (Pty) Ltd	100	10	100	100			7.1	9.5	3
ADvTECH Resourcing Investments (Pty) Ltd	68 508 341	–	100	–					2
Africa HR Solutions Ltd (a)	100	100	51	51					3
Bryan Hattingh Independent Services (Pty) Ltd	1	1	100	100					4
CA Financial Appointments (Pty) Ltd	1 000	1 000	51	51					3
CA Global Finance (Pty) Ltd	1 000	1 000	52	52					3
CA Global Headhunters (Pty) Ltd	120	120	52	52					3
CA Mining (Pty) Ltd	100	100	52	52					3
CA Oil and Gas (Pty) Ltd	120	120	52	52					3
Capsicum Culinary Studio (Pty) Ltd	1 000	1 000	100	100					1
Central African Correspondence College (Zambia) Ltd (c)	12 344	12 344	51	51					4
Charterhouse Private Schools (Pty) Ltd	100	100	100	100					1
Credo Business College (Pty) Ltd (Previously Oxbridge Training Institute (Pty) Ltd)	–	100	–	51					1
Future Indefinite Investments 82 (Pty) Ltd	100	100	100	100					2
Innospan Investments (Pty) Ltd	1 000	1 000	100	100					1
Kapele Appointments (Pty) Ltd	100	100	70	70					4
Knyber (Botswana) (Pty) Ltd (b)	306 000	306 000	100	100					1
Makini School Limited (d)	4 970 800	–	100	–					1
Maragon Private Schools Avianto (Pty) Ltd	100	100	100	100					1
Maragon Private Schools Gold (Pty) Ltd	100	100	100	100					4
Maragon Private Schools Platinum (Pty) Ltd	100	100	100	100					4
Maragon Private Schools Ruimsig (Pty) Ltd	100	100	100	100					1
Maragon Private Schools Titanium (Pty) Ltd	100	100	100	100					4
Maragon Private Schools Tshwane (Pty) Ltd	120	120	100	100					1
Nanospan Investments (Pty) Ltd	1 000	1 000	100	100					2
Oxbridge Academy (Pty) Ltd	100	100	51	51					1
Oxbridge Corporate (Pty) Ltd	100	100	31	31					4
Oxbridge Corporate ETD (Pty) Ltd	10 000	10 000	51	51					4
Resen Holdings (Pty) Ltd (b)	89 873 101	89 873 101	100	100					2
Resource Development International (Pty) Ltd	200	200	100	100					4
Schole Mauritius Limited (d)	95 200 036	–	71	–					2
Shetland Investments (Pty) Ltd	100	100	100	100					2
Star Schools (Pty) Ltd	100	100	50	15					1
Strategic Connection (Pty) Ltd	100	100	100	100					4
The Private Hotel School (Pty) Ltd	100	100	80	80					1
Ubiquity Open Academy Holdings (Pty) Ltd	20 408	20 408	51	51					2
UOA Zambia Investments Ltd (c)	15 000	15 000	51	51					2
University of Africa Ltd (c)	100 000	100 000	51	51					1
VirtuallyHR (Pty) Ltd	120	120	51	51					3
1 Independent provider of education.					658.4	658.4	826.4	834.8	

1 Independent provider of education.

2 Investment holding company.

3 Recruitment, placement and temporary staffing company.

4 Dormant company.

Results of subsidiaries so far as they concern members of the company: aggregate profit after taxation R407.5 million (Restated 2017: R377.7 million). All companies are incorporated in the Republic of South Africa except as indicated (a) Mauritius (b) Botswana (c) Zambia (d) Kenya.

Refer to the consolidated annual financial statements for information relating to acquisitions and disposals of subsidiaries and joint arrangements.

The loans are interest free and there are no fixed terms of repayment. The inter-company loans do not carry any credit risk as the underlying entities are profitable and generate sufficient cash to meet their obligations.

The directors consider that the carrying amounts of the loans receivable approximate their fair value.



NOTES TO THE COMPANY *financial statements*

for the year ended 31 December 2018

	Audited 2018 R'm	Audited 2017 R'm
6. Trade and other receivables		
Other receivables	36.2	35.1

Other receivables consist of inter-company receivables. The inter-company receivables are unsecured, interest free and have no fixed terms of repayment.

The inter-company receivables are recognised as "performing" under the internal credit rating and therefore the loss allowance is based on 12 month expected credit losses. As the underlying entities are profitable and generating sufficient cash to meet their obligations, which is expected to continue for the following 12 months, no loss allowance has been included.

The directors consider that the carrying amount of other receivables approximates their fair value.

7. Stated capital

Authorised

1 000 000 000 shares of no par value (2017: 1 000 000 000 shares of no par value).

	Number of shares 2018 'm	Stated capital 2018 R'm	Number of shares 2017 'm	Stated capital 2017 R'm
Issued				
Balance at 1 January	544.4	1 481.9	544.4	1 481.9
Shares issued	2.2	32.1	–	–
Balance at 31 December	546.6	1 514.0	544.4	1 481.9

The unissued shares are under the control of the directors subject to the provisions of the Companies Act and the requirements of the JSE Limited and in certain circumstances shareholders approval.

	Audited 2018 R'm	Audited 2017 R'm
8. Trade and other payables		
Trade payables and accruals	2.1	3.2

Trade payables and accruals principally comprise amounts outstanding for ongoing costs.

The directors consider that the carrying amount of trade payables approximates its fair value. The average credit period on purchases is two months. The company has financial risk management policies in place to ensure that payables are paid within the credit time frame.



	Audited 2018 R'm	Audited 2017 R'm
9. Financial instruments		
9.1 Impact of IFRS 9 adoption		
Refer to note 4 of the consolidated annual financial statements for information on the impact of IFRS 9 on the company.		
9.2 Categories of financial instruments		
Financial assets		
<i>Amortised cost</i>		
Loan to Share Incentive Trust	21.4	39.3
Loans to subsidiaries	826.4	834.8
Trade and other receivables	36.2	35.1
	884.0	909.2
Financial liabilities		
<i>Amortised cost</i>		
Trade and other payables	2.1	3.2
Shareholders for dividend and capital distribution	2.1	2.0
	4.2	5.2

Financial risk management objectives and policies

The company's principal financial instruments comprise various items such as other receivables, trade payables and related party loans that arise directly from operations. These items have been classified as financial instruments carried at amortised cost. The main purpose of these instruments is to finance the group's operations.

The support office function co-ordinates access to funds. The financial management function of the group monitors and manages the credit risk, liquidity risk and market risk (including interest rate risk, currency risk and other price risk). Refer to note 31 in the consolidated annual financial statements for the policies and procedures in place to manage these risks.

Capital risk management

The company manages its capital to ensure that subsidiaries/divisions will be able to continue as going concerns while maximising the return to stakeholders through optimisation of the debt and equity balance. The company's overall strategy remains unchanged.

The capital structure of the company consists of equity, comprising stated capital, reserves and retained earnings.

Capital projects are timed to coincide with additional capacity required to ensure facilities are utilised on completion.

Liquidity risk

Maturity groupings are based on the remaining period at the reporting date to the contractual maturity set at the earliest date on which the company may be required to pay. The financial liability amounts disclosed are the contractual undiscounted cash flows. Both the trade and other payables as well as the shareholders for dividend and capital distribution, are due within less than 1 year. The loan to the Share Incentive Trust is expected to realise between 1 and 5 years whereas the loans to subsidiaries and other receivables are receivable in less than 1 year.

Credit risk

The company's credit risk is primarily attributable to its receivables from subsidiaries, inter-companies and the Share Incentive Trust. No loss allowance has been included for these related parties as the underlying entities are profitable and generating sufficient cash to meet their obligations. The loans receivable from The Independent Institute of Education (Pty) Ltd and ADVTECH Resource Holdings (Pty) Ltd both exceed 5% of total financial assets, refer to note 5 for details of these amounts.



NOTES TO THE COMPANY *financial statements*

for the year ended 31 December 2018

The tables below detail the credit quality of the company's financial assets and other items, as well as the company's maximum exposure to credit risk according to the credit risk rating framework:

Financial instrument	Note	Internal credit rating	12m or lifetime expected credit losses (ECL)	Gross carrying amount	Loss allowance	Net carrying amount
31 December 2018						
Loan to share incentive trust	17 (Consolidated financial statements)	Performing	12 month ECL	21.4	–	21.4
Loans to subsidiaries	5	Performing	12 month ECL	826.4	–	826.4
Trade and other receivables	6	Performing	12 month ECL	36.2	–	36.2
31 December 2017						
Loan to share incentive trust	17 (Consolidated financial statements)	Performing	12 month ECL	39.3	–	39.3
Loans to subsidiaries	5	Performing	12 month ECL	834.8	–	834.8
Trade and other receivables	6	Performing	12 month ECL	35.1	–	35.1

Fair value measurements

The directors consider that the carrying amount of the financial assets and financial liabilities recognised in the financial statements approximate their fair values.

All of the company's financial instruments are carried at amortised cost and therefore not classified in terms of the fair value hierarchy.

10. Contingent liabilities

In terms of the group's banking arrangement, the company has issued to its bankers unlimited cross guarantees including cession of loan accounts on behalf of The Independent Institute of Education (Pty) Ltd, ADVTECH Resourcing (Pty) Ltd, ADVTECH Resource Holdings (Pty) Ltd, Innospan Investments (Pty) Ltd and Nanospan Investments (Pty) Ltd for term loans and revolving credit facilities, which at 31 December 2018 were utilised and amounted to R2 095.7 million (2017: R1 513.7 million). (See note 26, 27 and 33 of the consolidated financial statements).

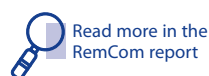


	Note	Audited 2018 R'm	Audited 2017 R'm
11. Notes to the statement of cash flows			
11.1 Cash utilised in operations			
Profit before taxation		112.3	174.6
Adjust for non-cash items		(117.9)	(180.0)
Dividend received		(150.0)	(180.0)
Shares issued on settlement of contingent consideration		32.1	–
Finance costs paid	3	(5.6) 0.3	(5.4) –
		(5.3)	(5.4)
11.2 Movement in working capital			
Decrease in trade and other receivables and prepayments		30.5	0.9
Decrease in trade and other payables		(1.1)	(1.2)
Decrease in working capital		29.4	(0.3)
11.3 Taxation paid			
Balance at beginning of the year		(4.6)	–
Current charge		–	–
Taxation on equity item	4	(4.4)	(4.6)
Balance at end of the year		1.7	4.6
Cash amount paid		(7.3)	–
11.4 Dividends paid			
Balance at beginning of the year		(1.2)	(1.0)
Declared during the year		(183.2)	(182.3)
Balance at end of the year		1.3	1.2
Cash amount paid		(183.1)	(182.1)

12. Related party transactions

ADvTECH Limited performed certain administrative services for The Independent Institute of Education (Pty) Ltd and for ADvTECH Resourcing (Pty) Ltd for which management fees of R8.4 million (2017: R7.0 million) and R2.1 million (2017: R1.8 million) respectively were charged and paid, being an appropriate allocation of costs incurred by the relevant administrative departments.

Refer to the remuneration report for directors' remuneration on page 77.



SHAREHOLDERS' *analysis*

at 31 December 2018

Range of shareholding	Number of shareholders	% of shareholders	Number of shares	% of total shares
1 to 10 000	7 469	85.1%	11 623 956	2.1%
10 001 to 100 000	942	10.7%	27 907 451	5.1%
100 001 to 1 000 000	278	3.2%	96 001 472	17.6%
more than 1 000 000	92	1.0%	411 080 040	75.2%
	8 781	100.0%	546 612 919	100.0%

To the best knowledge of the directors and after reasonable enquiry, as at 31 December 2018, the spread of shareholders was as follows:

Shareholder spread

ADvTECH Share Incentive Scheme	1	0.0%	7 724 771	1.4%
Directors (including prescribed officers and subsidiary directors)	9	0.1%	12 089 469	2.2%
Non-public shareholding	10	0.1%	19 814 240	3.6%
Public shareholding	8 771	99.9%	526 798 679	96.4%
Total of all shareholders	8 781	100.0%	546 612 919	100.0%

Major shareholders

According to the information available to the company after reasonable enquiry, the following shareholders are directly or indirectly interested in 5% or more of ADvTECH's share capital:

	Shares held	
	Number	%
Government Employees Pension Fund	66 747 791	12.2%
Coronation Fund Managers	64 821 308	11.9%
CitiGroup (Custodian)	50 768 480	9.3%
Old Mutual group	31 792 461	5.8%

Share information

	2018	2017	2016	2015	2014
Closing price at period end (cents)	1 485	1 750	1 717	1 456	870
JSE market price high (cents)	1 782	2 075	1 810	1 482	966
JSE market price low (cents)	1 341	1 451	1 292	845	658
Total number of transactions on JSE	63 311	103 675	82 893	39 007	19 877
Total number of shares traded	136 787 992	237 816 712	252 534 798	171 532 921	86 044 866
Total value of shares traded (R)	2 143 467 835	4 250 477 901	3 796 373 545	1 966 962 284	694 794 222
Average price per share (cents)	1 567	1 773	1 525	1 115	807
Shares in issue*	546 612 919	544 368 530	544 368 530	530 759 317	421 282 422
Percentage volume traded to shares in issue	25%	44%	46%	32%	20%
PE ratio	20.0	25.3	24.2	29.0	21.1

* Shares in issue per JSE as at 31 December 2018.



SHAREHOLDERS' *diary*

2019
Dividend

Declaration of dividend	Thursday, 14 March
Announcement of annual results for 2018	Monday, 18 March
Last day to trade in order to participate in the dividend	Tuesday, 9 April
Trading commences ex-dividend	Wednesday, 10 April
Record date	Friday, 12 April
Share certificates may not be dematerialised and rematerialised between	Wednesday, 10 April and Friday, 12 April, both days inclusive
Dividend payment date	Monday, 15 April

Annual general meeting (AGM)

Record date to receive notices	Friday, 26 April
Last date to trade to be eligible to participate and vote at the AGM	Tuesday, 21 May
Record date to be recorded as shareholder	Friday, 24 May
Proxy forms to be received by 10:00	Tuesday, 28 May
AGM to be held at 10:00	Thursday, 30 May
Results of AGM published on SENS	Thursday, 30 May

Interim results

Interim results for the six months ended 30 June 2019	Thursday, 29 August
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**CHRISTOPHER BOULLE***Chairman, Independent non-executive director***Chairperson of the investment and nominations committees****BCom, LLB, LLM (WITS)****STRATEGIC VALUE CONTRIBUTIONS:**

- Corporate governance
- Corporate and trust law
- Commercial, finance and tax law

Chris is a commercial, corporate finance, tax and trust attorney. His experience as a non-executive director of listed companies spans more than a decade. He currently serves as a director of companies listed on the JSE and is also trustee of various trusts, including the ADVTECH Limited Share Incentive Trust. He was appointed as a director in March 2013. In 2015, he was appointed chairman of the board.

ROY DOUGLAS*Executive director, Group Chief executive officer***Member of the investment, nominations, risk and transformation, social and ethics committees****BSocSci (Economics) UKZN, MBA (UCT)****STRATEGIC VALUE CONTRIBUTIONS:**

- International commerce and management
- Strategy, marketing, business development and general management
- Mergers and acquisitions

Roy brings 25 years of local and international senior management experience to the group. Holding a Bachelor's degree in Economics, and an MBA. Roy has held senior executive roles in various industries that have honed his skills in strategy, marketing, business development and general management. His track record includes leadership positions in Nampak Limited, Deloitte (Atlanta, USA), House of Fraser Limited (UK) and Unilever SA. He joined ADVTECH in December 2012 as chief operating officer of the tertiary division and led the successful turnaround of the division. He joined the board as an executive director and took over the reins as chief executive officer in November 2015.

JACQUELINE CHIMHANZI (Dr)*Independent non-executive director***Member of the audit, nominations and risk committees****BSc (Hons), MBA, PhD (Cardiff)****STRATEGIC VALUE CONTRIBUTIONS:**

- Strategy development and execution
- Marketing
- Business development

Jacqueline is the CEO of the African Leadership Institute. She is a seasoned strategist with some 17 years' experience as both an academic and a practitioner. She is also a keen Africa-watcher and was recognised by Forbes Africa magazine as one of the 20 Youngest Power Women in Africa in 2012 – women under 45 shaping the narrative of Africa's rising. She is a fellow of the pan-African Archbishop Tutu Leadership Programme run by the African Leadership Institute (ALI) at Oxford University and a member of the Institute of Directors in Southern Africa (IoDSA). She previously led strategy consulting teams and was also Lead: Africa Desk at Deloitte and Senior Strategist at the IDC. Jacqueline lectured at the University of Wales (UK) and joined the board in January 2017.

BRENDA GOURLEY (Professor)*Independent non-executive director***Chair of the risk committee, member of the audit, investments and nominations committees****CTA (WITS), MBL (UNISA), FCGI, FRSA****STRATEGIC VALUE CONTRIBUTIONS:**

- International higher education
- Higher education and open and distance learning
- Higher education management

Brenda is an accountant by profession and has a long career in business and academia. She was previously vice chancellor of the University of KwaZulu-Natal, South Africa, and vice chancellor and chief executive officer of The Open University (UK). Over the years, she has held a range of positions on various boards and trusts in different parts of the world, in both the public and private sectors. She has received recognition in the form of prizes, fellowships and awards (mainly in recognition of her contribution to Higher Education), as well as honorary degrees from 14 universities on four continents. She is an Emeritus Professor in Finance and Accounting and joined the board in 2008.

JANE HOFMEYR (Dr)*Independent non-executive director***Member of the nominations, remuneration, transformation, social and ethics committees****PhD (WITS)****STRATEGIC VALUE CONTRIBUTIONS:**

- Academia
- Education policy and development
- Public and private education

Jane holds a PhD in education policy studies and is currently an independent education and development consultant. She has 30 years of experience and research in public and private education. She launched and managed the Education Policy Unit of the National Business Initiative, followed by 15 years heading the Independent Schools Association of Southern Africa (ISASA), where she played a pivotal role in the development of the association. She marketed ISASA vigorously and established its brand while increasing ISASA's human and physical resources. This reinforced ISASA's attractiveness to schools as a service provider, and established its reputation as an association of first choice. Jane joined the board in January 2017.

JONATHAN JANSEN (Professor)*Independent non-executive director***Chair of the transformation, social and ethics committee and member of the nominations committee****PhD (Stanford), MSc (Cornell), BEd, HEd (UNISA), BSc (UWC)****STRATEGIC VALUE CONTRIBUTIONS:**

- Transformation, race relations and diversity
- Global and international education
- Tertiary education

Jonathan is Distinguished Professor of Education at the University of Stellenbosch, South Africa. In 2016/17 he was a Fellow at the Center for Advanced Study in the Behavioral Sciences at Stanford University. He is currently President of the South African Institute of Race Relations and President of the South African Academy of Science.

He started his career as a biology teacher in the Cape after receiving his science degree from the University of the Western Cape. He obtained a MS degree from

Cornell University and a PhD from Stanford. He holds honorary degrees from the University of Edinburgh, the University of Vermont and Cleveland State University.

In 2013, he was awarded the Education Africa Lifetime Achiever Award in New York, the Spendlove Prize from the University of California for his contributions to tolerance, democracy and human rights, and he also won the largest book award from the British Academy for the Social Sciences and Humanities for his book, *Knowledge in the Blood* (published by Stanford University Press).

His recent books include *Leading for Change: Race, intimacy and leadership on divided university campuses* (Routledge, 2016), *As by fire: the end of the South African university* (Tafelberg, 2017), *Interracial intimacies on campuses* (Bookstorm, 2017) and *Song for Sarah* (Bookstorm, 2017). His 2018 books include *South African Schooling: The Enigma of Inequality* (with Nic Spaull, published by Springer), *The Politics of Curriculum* (Wits University Press) and *Who gets in and why? The politics of admissions in South Africa's elite schools* (UCT Press). Jonathan joined the board in 2004.

**STAFFORD MASIE***Independent non-executive director***Member of the investment, nominations and risk committees****STRATEGIC VALUE CONTRIBUTIONS:**

- Information technology
- Entrepreneur
- Innovation

Stafford commenced his education in South Africa before undertaking studies in computer science at Tel Aviv University, Israel. He has been involved in the IT industry for nearly 20 years, and was associated with pre-eminent IT companies such as Dimension Data, Novell and Google. His passion for technology led to him holding senior executive positions at Novell USA

and subsequently at Novell South Africa, and being responsible for establishing Google's presence in South Africa. After leaving Google in 2009, he established his own business and has since established several technological businesses that have expanded globally. He is known as the inventor of the Thumbzup "Payment Pebble" and "Payment Blade". One of the recent companies he founded raised capital via an International VC and the USA based Visa Incorporated also acquired an equity stake. He continues his entrepreneurial journey today as an inventor in early stage IT start-ups. He also lectures at several business schools, has participated in television and radio broadcasts, and is an international guest speaker on the influence of technology on modern life, society and education. Stafford joined the board in January 2014.

DIDIER OESCH*Executive director, Group financial director***Member of the investment and risk committees****BCompt (Hons) UNISA, CA(SA)****STRATEGIC VALUE CONTRIBUTIONS:**

- Financial management and commerce
- Mergers and acquisitions
- Corporate financing
- Corporate governance

Didier qualified as a chartered accountant in 1991, after completing his articles at Betty & Dickson. He gained considerable experience with the Nampak group in various financial positions, culminating in a four-year term in Europe as Financial Director of Nampak Plastics Europe. Didier joined ADvTECH as group financial manager. He was appointed a member of Exco and group financial director in 2005.

KEITH WARBURTON*Independent non-executive director***Chair of the audit committee, member of the nominations and remuneration committees****BCom, CTA (UCT), CA(SA)****STRATEGIC VALUE CONTRIBUTIONS:**

- Commerce and corporate management
- JSE Listed entities and corporate governance
- Investment management

Keith is a chartered accountant who has over 30 years' experience in business and commerce, has held various executive management positions with a number of JSE Listed entities, since qualifying as a chartered accountant at Arthur Andersen. Besides his experience in retailing and wholesaling he also has experience in corporate finance as well as the steel and manufacturing industries. Since 1990, he has been in the retail industry, with his latest term being as chief operating officer and an executive director of Clicks Group Ltd. He joined the board in July 2015.

SHIRLEY ZINN (Professor)*Independent non-executive director***Chair of the remuneration committee, member of the investment, nominations and transformation, social and ethics committees****BA, HDipEd (UWC), BEd (Hons) (Unisa), Med (UWC), EdM and EdD (Harvard)****STRATEGIC VALUE CONTRIBUTIONS:**

- HR management
- Transformation and leadership development
- Education

Shirley is the former group head of Human Resources at Woolworths Holdings Limited. Prior to this, she headed up Human Resources of Standard Bank South Africa and was deputy global head of Human Resources for the Standard Bank Group.

Currently, she is an Independent non-executive director on the boards of JSE-listed Sanlam Limited and Sanlam Life Insurance Limited, MTN-SA, Shoprite Holdings, Afrocentric and was recently appointed to the boards of LRMG

Performance Architects, Cricket South Africa and NPI.

Shirley has held several leadership roles in HR management within the public (SARS) and private sectors (more specifically, the banking industry). Through Shirley Zinn Consulting, she consults to various large organisations in HR strategy, transformation, leadership and education. She is a director and trustee of a number of companies and trusts, including the Boston Consulting Group, Nedbank Eyethu Community Trust, Tuesday Consulting and former chair of the Starfish Greatheart Foundation. She is also an extraordinary professor at the University of Pretoria and more recently was appointed adjunct professor at the University of Cape Town where she also serves on the Council of the university.

She is the past president of the Institute for People Management South Africa and registered as Master HR Professional with the South Africa Board for People Practice.

In 2015, Shirley published an inspirational book about her own personal and professional life. She joined the board in October 2012.

JENS ZIMMERMANN*Independent non-executive director***Member of the investment, nomination and remuneration committees****BA (Business), MBA (Harvard)****STRATEGIC VALUE CONTRIBUTIONS:**

- Global investment management – education sector
- Corporate financing
- Mergers and acquisitions

Jens is chairman of the board of London-listed High Growth Capital, which invests in new technologies. He has more than two decades of private equity experience, along with a track record of building

successful businesses internationally. This includes a period as partner and managing director at New Silk Route Growth Capital, a USD1.3 billion fund with investments across the Middle East and Asia.

After working for Booz, Allen & Hamilton's acquisition services team in the early nineties he joined a pioneer buyout group in Germany, before co-founding HGU Hamburg Private Equity AG in 1998. Since 2004, Jens has worked in Private Equity in South Asia and the Middle East. He has led more than 40 Private Equity investments, served on over 20 boards and founded several companies in the US, Europe and Asia. With a passion for education he has invested in and served on the boards of several globally leading education groups, specifically in the K-12 and tertiary sectors. Jens joined the board in April 2018.

OUR BUSINESS model | HOW WE CREATE VALUE p17



ACADEMIC EXCELLENCE, INTELLECTUAL CAPITAL AND GOVERNANCE

Academic development and investment in effective methodologies, curricula, programmes and qualifications that are relevant, accredited, well-recognised and respected locally and internationally are key to our business. We enhance operational effectiveness by building and employing intellectual capital and through innovation, product and market developments and reassessing business processes and shared services supported by technological development. Another key differentiation is the 26 brands in the group, which remain strong and continue to attract students and clients based on their specific well-defined value propositions and offerings.

KEY STAKEHOLDERS
Regulatory bodies, students, clients and candidates



PEOPLE, CULTURE AND HUMAN CAPITAL

Many of our staff are professionally qualified and contribute a wealth of intellectual capital to our academic integrity. Our employees are ambassadors and are vital in growing and running our business. We invest in our employees to ensure we attract and retain high-calibre staff. Our employees, in turn, are passionate and committed to quality and excellence, which assists in creating and maintaining confidence in our value proposition.

KEY STAKEHOLDERS
Employees and independent contractors



SOCIAL AND RELATIONSHIP CAPITAL

Quality relationships with key stakeholders
With our constant efforts to improve customer service, the business actively manages its stakeholder relationships with our students, parents, communities, clients, our business partners, government, regulators and investors. We also instil a culture of respect and by giving back to the communities through our outreach projects within the areas in which we operate, we aim to instil corporate citizenship and a sense of community.

KEY STAKEHOLDERS
Students, parents, alumni, clients, government and regulatory bodies, investors, shareholders and media



MANUFACTURED/ INFRASTRUCTURE CAPITAL

Environment conducive to learning
Creating environments conducive to learning, enabling our students to meet their full potential academically and become well-rounded individuals. We invest significant financial capital in our campuses, furniture and fittings, technology equipment and facilities to expand our brands to deliver on our brand specific value offerings.

KEY STAKEHOLDERS
Students, teachers, lecturers, municipalities, government and regulatory bodies



FINANCIAL CAPITAL

We use cash generated by our business activities and investments as well as funding, both debt and equity, to finance business growth organically and through strategic investments to support the group's short-, medium- and long-term sustainability and growth plans. We provide our shareholders with a return on their investments through regular dividend payments.

KEY STAKEHOLDERS
Investors, shareholders and employees



NATURAL CAPITAL

We rely on natural resources such as land, energy and water to run our operations and are mindful of the fact that we need to preserve these precious resources by mitigating potential negative environmental impacts through responsible usage. Additionally, we educate our students and instil a deep respect for the environment.

KEY STAKEHOLDERS
Communities and environment

OUR PRESENCE *in Africa*

SCHOOLS DIVISION | 103 SCHOOLS



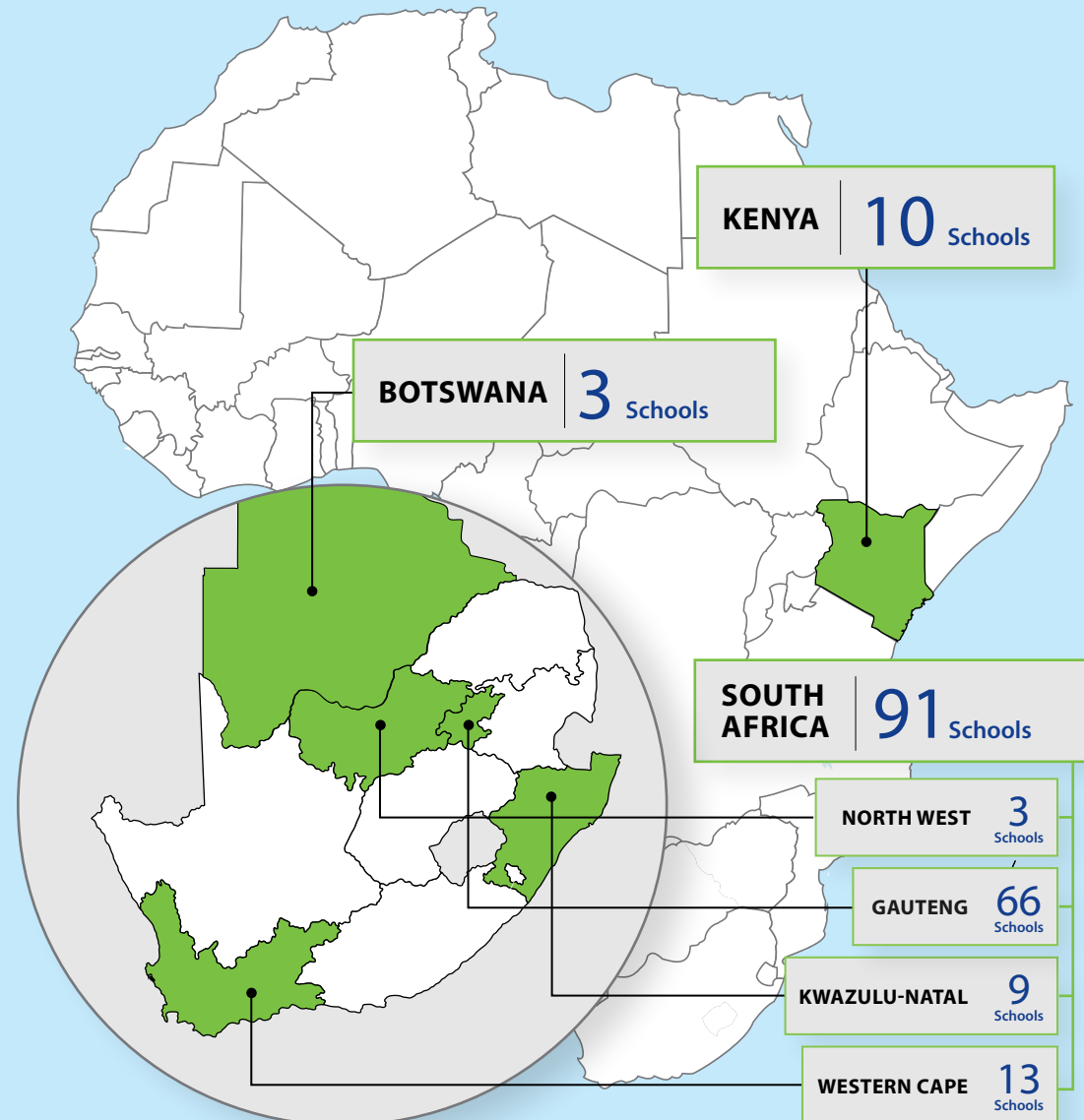
TERTIARY DIVISION | 29 CAMPUSES



RESOURCING DIVISION |
19 COUNTRIES THROUGHOUT AFRICA



 Click on the arrows to
see map interactivity





TERTIARY_{division} p8

OUR PRESENCE *in Africa*

SCHOOLS DIVISION | 103 SCHOOLS



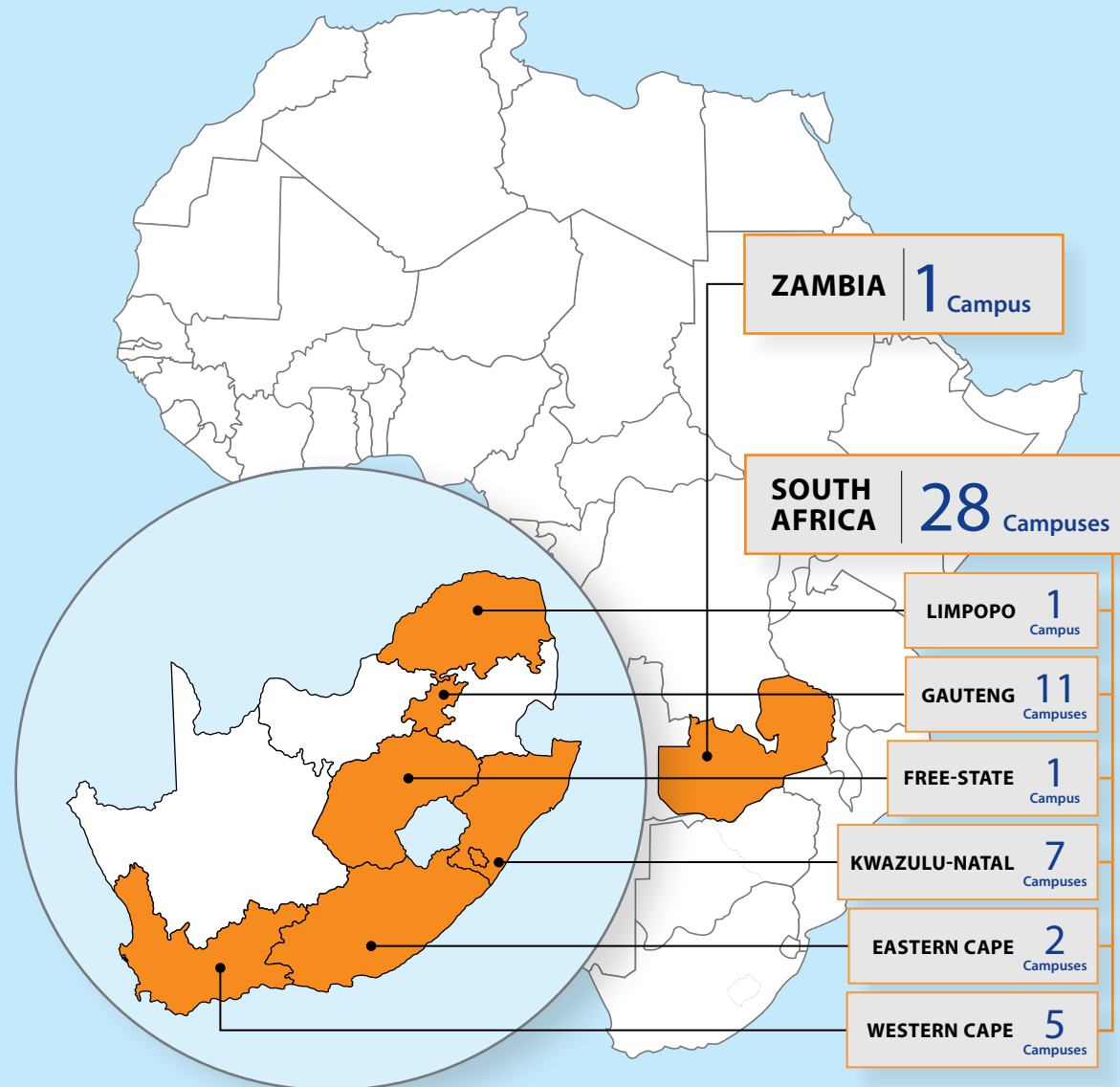
TERTIARY DIVISION | 29 CAMPUSES



RESOURCING DIVISION |
19 COUNTRIES THROUGHOUT AFRICA



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RESOURCING *division* _{p8}

OUR PRESENCE *in Africa*

SCHOOLS DIVISION | 103 SCHOOLS



TERTIARY DIVISION | 29 CAMPUSES



RESOURCING DIVISION |
19 COUNTRIES THROUGHOUT AFRICA



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