ADTECH
GROUP

Annual Integrated Report 2021

ROBUST · RESILIENT · SUSTAINABLE

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Report navigation

To illustrate connectivity throughout this report, we make use of various icons as depicted above. Our stakeholders are encouraged to view this report in an interactive PDF format available on our website at: www.advtech.co.za under the investor information tab. The complete annual financial statements and all supplementary presentations are also available on our website.

Navigation tools

Return to previous page | Previous page | Next page | Home | Print | Download

This report is an interactive PDF. It is best viewed in Adobe Acrobat for desktop, mobile or tablet.*

Click to download or update to the latest Adobe Acrobat Reader

** Functionality may differ according to device and app version used.*

Our key stakeholders

- Students and parents
- Recruitment candidates and clients
- Employees/independent contractors
- Investors, financiers and shareholders
- Community
- Regulatory bodies and government
- Alumni
- Media

Our strategic objectives

- SO 1 Academic excellence
- SO 2 Growth
- SO 3 Customer focus
- SO 4 Educational productivity
- SO 5 Human capital productivity
- SO 6 Capital productivity
- SO 7 Excellence through specialisation

Our capitals

- FC Financial capital
- IC Intellectual capital
- SC Social and relationship capital
- HC Human capital
- MC Manufactured/infrastructure capital
- NC Natural capital

Our material matters

- MM 1 Academic excellence
- MM 2 Customer value proposition
- MM 3 Challenging socio-economic conditions
- MM 4 Regulatory changes and bureaucratic delays
- MM 5 Prudent investment and expansion
- MM 6 An effective human resource strategy

Focus SDGs

4 Quality education | 5 Gender equality | 6 Clean water and sanitation | 8 Decent work and economic growth | 9 Industry, innovation and infrastructure | 11 Sustainable cities and communities

Other icons

- COVID-19
- King IV™
- Risk
- Go to page
- Website link
- Click to see icon descriptions

ABOUT THIS REPORT

Report scope and boundary

We are pleased to present our annual integrated report for the year ended 31 December 2021. This report is our primary tool for engagement with stakeholders and particularly aims to provide relevant information and detail the group's strategic progress to providers of financial capital to facilitate investment decisions. It also provides concise material and reliable information on the group's strategy, performance, governance and prospects, while explaining and demonstrating our financial and non-financial sustainable value creation over the short-term (one to two academic years), medium-term (three to five academic years) and long-term (more than five years). Any material information after year end and up to 29 April 2022, when the board approved the integrated report, has also been included.

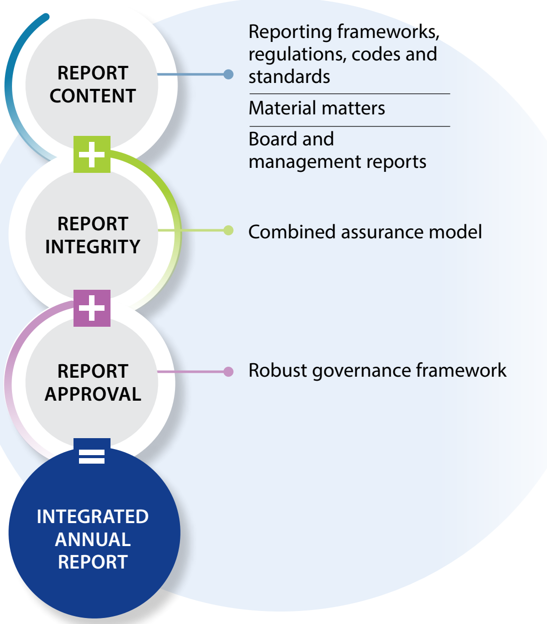
Our reporting scope and boundary incorporates our group operations (school, tertiary and resourcing) in South Africa as well as operations in the rest of Africa over which we have control (see page 8). The scope of reporting also extends to an assessment of the group's risks, opportunities and material outcomes which are impacted by factors such as our operating environment and external stakeholders.

Integrated thinking

We appreciate that we operate in a dynamic operating environment where change is the only constant and our ability to adapt to change is critical to our success. This was and still is of particular importance as the group navigates its way through the changing environment brought about by the global pandemic (COVID-19). To achieve this agility and our purpose of providing academic excellence to enrich people's lives and futures, it is imperative that we apply an integrated thinking approach when developing, shaping and executing our strategy and informing our business model.

As part of our integrated thinking process, we continually engage with our key stakeholders and consider various factors including risks, opportunities and material matters. Further we consider the six capital resources (see pages 12 to 13) used when strategic decisions are made as well as the trade-offs between these capitals. This integrated thinking process ultimately leads to actions that either create, preserve or erode value over the short, medium and long term.

Integrated reporting process



Reporting frameworks, regulations, codes and standards

Our annual integrated report has been prepared in accordance with the International <IR> Framework (January 2021). To guide and inform our decisions during the preparation of this report, we applied the principles and requirements contained within various regulations, codes and standards (tabled below).

	ANNUAL INTEGRATED REPORT	ANNUAL FINANCIAL STATEMENTS
IIRC <IR> Framework	●	
South African Companies Act No 71 of 2008	●	●
International Financial Reporting Standards (IFRS)		●
JSE Listings Requirements	●	●
King IV Report on Corporate Governance for South Africa 2016 (King IV™)	●	●

Board approval

The board acknowledges its responsibility for overseeing the integrity and completeness of this annual integrated report, which has been prepared in accordance with the International <IR> Framework (January 2021) and King IV™. The Audit and Risk Committee (ARCom) reviews the content and reporting process of the report and, when comfortable, recommends the report to the board for approval. The board is satisfied that the integrated reporting process is robust with accountable executives and management having provided oversight of the content and its accuracy of the group's performance for the year under review.

This report, together with the group's annual financial statements for the year ended 31 December 2021, was approved by the board of directors on 29 April 2022 and signed on its behalf by:

Roy Douglas
Group Chief Executive Officer

Chris Boulle
Chairman

Material matters

Our material matters (shown below) are those issues that could substantially impact on our ability to execute our strategic priorities and create and preserve stakeholder value in the short (one to two academic years), medium (three to five academic years) and long term (more than five years). Over time these material matters are also likely to influence stakeholders' decisions. Depending on our internal and external operating environment as well as ongoing stakeholder engagement, the importance of these matters can increase, decrease or remain consistent. Following an assessment of our material matters as part of our materiality determination process (shown alongside), and taking account of our current operating environment, some adjustments were made to the group's material matters. We consolidated our research and development material matter under academic excellence, and we identified customer value proposition as a new material matter.

ASSESS

our internal and external operating environment as well as stakeholder concerns

the positive and negative impact these matters have on our six capitals and strategic objectives over time

APPROVE

our material matters annually – responsibility of the group's board

RECOMMEND

the material matters to the board for approval – responsibility of the Audit and Risk Committee

CONSIDER

our internal risks and opportunities, which are matters discussed at board and leadership operational committee level

all relevant matters included in management and board reports

various external factors that include the economic, regulatory and fiscal environment and our social landscape, both locally and in the rest of Africa

REVIEW

our material matters annually – responsibility of the group's leadership structure (see page 27)

IDENTIFY

the issues that have the possibility to impact the group's ability to create, preserve or erode stakeholder value

MATERIAL MATTERS

- MM 1 Academic excellence
- MM 2 Customer value proposition
- MM 3 Challenging socio-economic conditions
- MM 4 Regulatory changes and bureaucratic delays
- MM 5 Prudent investment and expansion
- MM 6 An effective human resource strategy

CHANGE IN SEVERITY YEAR-ON-YEAR

- Increased
- Decreased
- Unchanged
- New material matter

Material matters are unpacked on page 12

Combined assurance model

The board, with the support of the ARCom, ensures the ongoing development and improvement of our combined assurance model to provide effective and efficient assurance services and functions. Using a combined assurance model ensures an effective control environment, supports the integrity of information used for internal decision-making by management, the board and its committees and supports the integrity of the integrated report. It is designed with the goal to effectively cover all our significant risks and material matters through three lines of defence, as shown below.

First line of defence

board and board committees, management: executive leadership and operational management

Second line of defence

internal assurance providers: internal auditors, risk and compliance functions

Third line of defence

external assurance providers: external auditors

The integrated report is not audited, however, certain financial information has been extracted from the group's audited annual financial statements, which is externally audited by Ernst & Young. Their unmodified audit opinion is detailed on page 93. Prior to final sign off, the integrated report is subjected to a thorough review by relevant content providers, senior management and accountable executives.

HIGHLIGHTS

- PROVEN STRATEGY WITH A ROBUST, RESILIENT AND SUSTAINABLE BUSINESS MODEL
- GOOD ENROLMENT GROWTH
- STRONG FINANCIAL PERFORMANCE

"ADvTECH has a financially sound business model which has proven its robust and resilient nature as it has delivered outstanding results even in tough economic times"
Roy Douglas, Group CEO

Strong results reflect a trend of consistent performance delivery

- ↑8% REVENUE
- ↑22% OPERATING PROFIT
- ↑33% HEADLINE EARNINGS PER SHARE
- ↑35% NORMALISED EARNINGS PER SHARE
- ↑21% CASH GENERATED BY OPERATING ACTIVITIES
- ↑32% FREE OPERATING CASHFLOW BEFORE CAPEX
- ↑31.0 cents FINAL DIVIDEND PER SHARE

SCHOOLS SOUTH AFRICA

Revenue	Operating profit
↑ 4%	↑ 10%

- Good results delivered with zero fee increase
- Strong enrolment growth for 2022

SCHOOLS REST OF AFRICA

Revenue	Operating profit
↑ 36%	R47 million

- Strong academic results
- Exciting growth in student numbers
- Showing profit and a good return on investment
- Underscoring the viability of our investments giving confidence for further expansion

TERTIARY / UNIVERSITY DIVISION

The IIE is SA's leading "private university"

Revenue	Operating profit
↑ 4%	↑ 13%

- Well established brands with respected value offering
- Quality academic offering with multi-modes of delivery

RESOURCING DIVISION

Revenue	Operating profit
↑ 20%	R39 million

- Profit recovery after COVID-19 disruption
- The strategy to expand into the rest of Africa delivering good results
- Growing additional business segments
- Increased market share in SA in a tough environment

FEATURES CONTRIBUTING TO OUR SUCCESS

- Unrelenting focus on academic excellence central to our strategy
- Determination to lead in the best teaching and learning practices
- Clear focus on delivering value to our customers
- Comprehensive range of quality education programmes
- Multi-mode delivery methods, quality education available at any time and at any place
- Agile and adaptive business model
- Improved systems, drive for operational effectiveness and efficiencies
- Strong cash generation and sound balance sheet

PROSPECTS

Ongoing demand for quality education

Building off a solid platform, the group is well positioned to continue to deliver sustainable earnings growth

WHO WE ARE

Founded in 1978, the ADvTECH group is South Africa's leading private education provider and a continental leader in quality education, training, skills development and placement. We focus on unlocking shareholder value by deploying our six capital resources and executing our strategy.

OUR PURPOSE

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

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 ways in which we approach our task.

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.

Eighteen established education brands from pre-primary through to tertiary

Our brands 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 enable us to provide quality education to specific markets.

7 866 Employees
(2020: 7 853)

84 341 Students
(2020: 81 605)

108 Schools in South Africa, Botswana and Kenya

Resourcing in **19** countries across Africa

216 Accredited tertiary courses
(2020: 204)

32 Tertiary campuses across South Africa
(2020: 33)

3 Online brands: Evolve Online School, MindSharp and IIE online

SCHOOLS DIVISION

9 Brands (2020: 9) | **108** Schools (2020: 109)

Revenue contribution **42**%

R**2.4** billion
(2020: 42% R2.3 billion)

TERTIARY/UNIVERSITY DIVISION

9 Brands (2020: 9) | **32** Campuses (2020: 33)

Revenue contribution **41**%

R**2.4** billion
(2020: 43% R2.3 billion)

BUSINESS ACTIVITIES

- Student acquisition
- Teaching and learning specialists
- Developing academic excellence through ongoing research and development
- Increasing digital new age technology facilities
- Benchmarking our performance, locally and internationally
- Investing in IT systems (learning analytics student information system)
- Enhancing technology supported teaching and learning – online, contact and distance
- Focusing on graduate employability

RESOURCING DIVISION

8 Brands
(2020: 8)

Revenue contribution **17**%

R**1 018** million
(2020: 15% R848 million)

BUSINESS ACTIVITIES

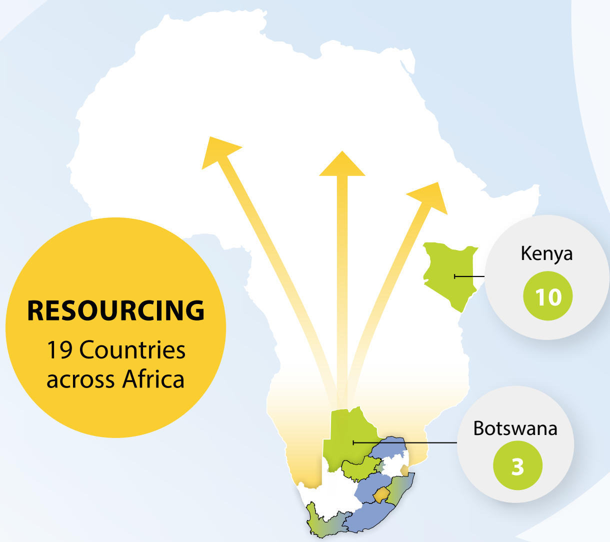
- Focusing on the key niche placement areas of: finance, ICT, engineering, supply chain, logistics, freight
- Payroll management and contracting placements

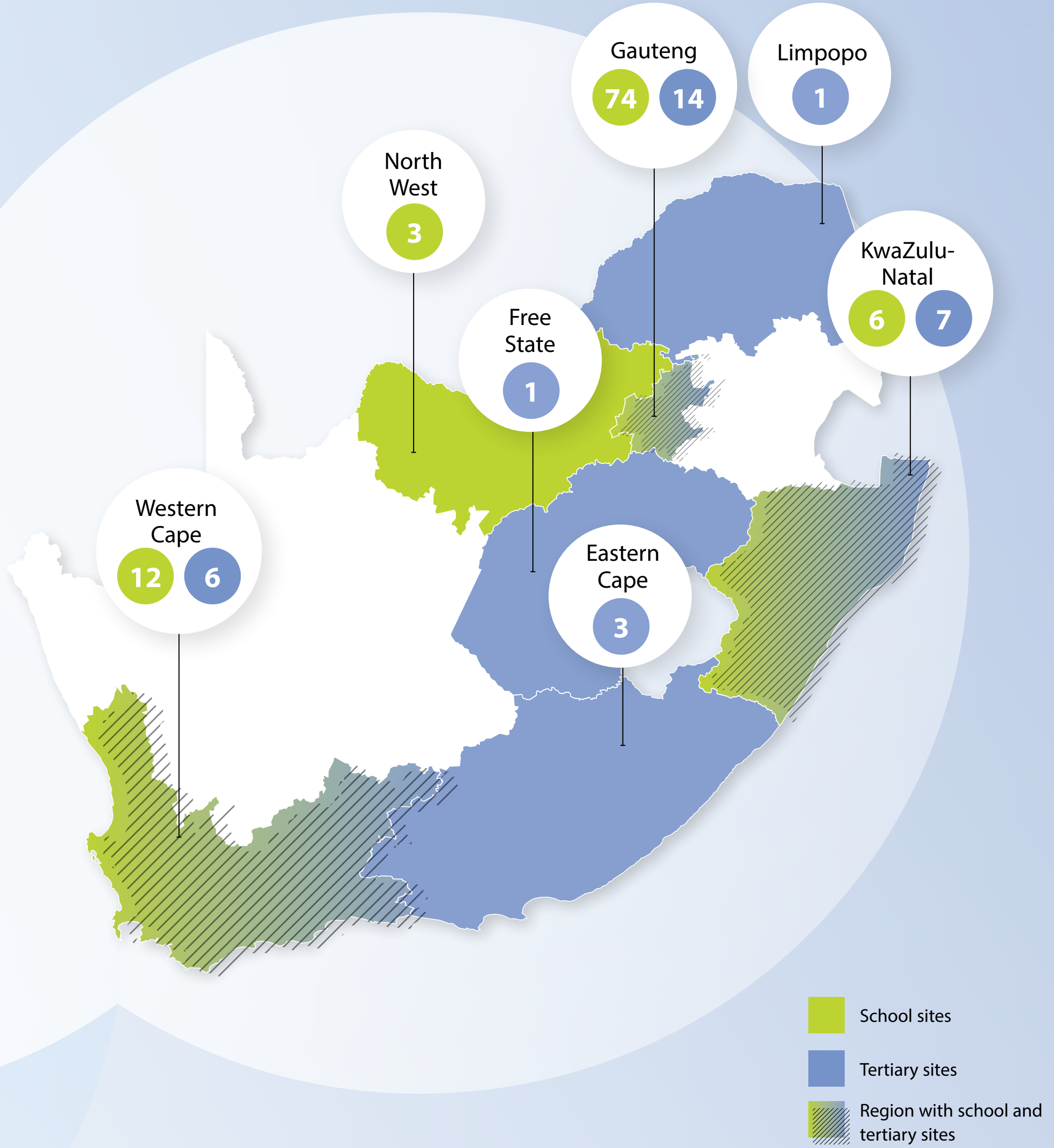
WHO WE ARE CONTINUED

OUR PRESENCE IN AFRICA

SOUTH AFRICA
95
32

REST OF AFRICA
13





CHAIRMAN'S LETTER

General overview of the year

At the outset of the year, the group was of the view that the widespread uncertainty and economic hardship of 2020, which was largely driven by the pandemic and governments' responses thereto, would continue into 2021. It is now clear that this theme will continue into 2022. We are, however, hopeful that with the uptake in COVID-19 vaccinations – over 34 million administered in South Africa and over 8.7 billion doses globally – the trend of new variants becoming more infectious but less deadly will result in a return to "normality" during the course of the 2022 year.

Chris Boulle

The economic impacts of the pandemic will continue for some time and are especially noticeable in many of the markets in which we operate, which were already experiencing economic difficulties before the pandemic began. In South Africa, the economic difficulties, together with political uncertainty, manifested in the civil unrest and protests in KwaZulu-Natal and parts of Gauteng in July 2021, which led to the loss of lives and jobs and billions of rands in damages. Volatility like this is concerning and it speaks to the urgent need for more effective containment to safeguard the national economy and protect South Africa's growth prospects. Equally, it cautions us to address the root causes of these issues more urgently. We are of the view that one of the fundamental aspects which need to be dealt with when addressing these root causes is ensuring that an improved quality of education is received by the majority of our population. The direct impact of the riots on ADvTECH was limited to ensuring the safety of staff and students and no major harm was suffered by our group. On a positive note, South Africa experienced peaceful and successful local government elections on 1 November 2021, with outcomes accepted by all parties.

Globally, economic recovery continues to gain momentum, despite some setbacks and the threat caused by an inflationary environment and, more recently, the invasion of Ukraine by Russia. According to the International Monetary Fund (IMF), the GDP growth projection for the global economy for 2022 is at 4.4%, while South Africa's is expected to underperform with growth of only 1.9% projected. The group's investments in the rest of Africa are exceeding expectations with an encouraging upwards curve. Botswana and Kenya are expecting growth rates in GDP of 4.3% and 4.9% respectively, which bode well for our strategic focus on geographic diversification across the continent.

Social initiatives

While there is widespread support for mandatory vaccinations as a matter of public policy, we believe that individual organisations must decide how best to create a safe working environment. ADvTECH has not mandated vaccinations but encourages its employees and eligible students, through various informative communications and campaigns, to get vaccinated and has provided vaccination sites at its tertiary campuses. The group will continue to monitor the legal requirements in this regard and will implement the necessary actions should vaccinations become compulsory.

ADvTECH continued to provide holistic support for employees and students through its Respect, Diversity and Inclusion (RDI) programme that was launched in 2020 on the back of the #BlackLivesMatter movement. Various channels for communication and to report issues have been set up to support our students and employees, including the Allies programme and anonymous FaceUp application that provide additional channels for support and dispute resolution.

As Environmental, Social and Governance (ESG) reporting continues to evolve globally, ADvTECH's objective is to improve on its ESG reporting journey. Our expanded ESG journey recognises and adheres to various principles and reporting frameworks. These include the United Nations Sustainable Development Goals (UN SDGs) with a particular focus on education (SDG 4), the Global Reporting Initiative (GRI) Standards, the Task Force on Climate-related Financial Disclosure (TCFD) and the JSE's Sustainability and Climate Disclosure Guidelines which still need to be finalised and will be tailored to the South African context, while being fully cognisant of global best practice. Education is crucial for people to uplift themselves. It is one of the most important factors for escaping poverty and enables growth, prosperity and sustainability. At ADvTECH, we are proud to enrich people's lives through education, training and job placement. We aim to make a meaningful difference to the people we serve through our innovative approach. Not only do we promote academic excellence as part of our curricula, but we are also passionate about embedding sustainability principles within our education approach, projects and business activities. ADvTECH's central academic team is instrumental in achieving this by embedding ESG tenets and the UN SDGs within our schools' and tertiary divisions' curricula. This approach ensures that we help shape future generations to become responsible corporate citizens. We lead by example through responsible corporate behaviour and efforts to minimise our operational footprint. During 2021, we supported 687 corporate social investment (CSI) projects that had positive social and environmental impacts as outlined in this report (pages 46 and 52).

Our employees continue to show resilience, flexibility and commitment in adapting to the challenges created by the ongoing pandemic. The pandemic also provided opportunities to showcase the group's ability to be innovative in our customer value proposition and allowed us to identify key talented individuals and potential leaders. ADvTECH continues to support employee wellbeing through our progressive wellness programme by partnering with the South African Depression and Anxiety Group (SADAG), where we provide both employees and their extended families with the mental health support they need.

Financial results

Our proven ability to transition between online and face-to-face learning meant that the group was confident that it could deal with any situation where places of learning were physically closed. This enabled us to place a greater focus on how we would deal with the economic impact of the continued uncertainty on the group and on our stakeholders, and this has resulted in the excellent results which are dealt with in detail in this integrated annual report. We experienced encouraging enrolment figures during 2021 in our schools and tertiary full qualifications divisions. The forecast for 2022 is also optimistic, with schools division up 9% and tertiary full qualifications up 4%. There is also a growing demand for online/homeschooling, which provides growth prospects for ADvTECH's innovative product offering, Evolve Online School, which opened in January 2021 and has current enrolments of 566 students. The tertiary division's MindSharp dynamic digital learning platform also gained traction during the year.

The group continued its focus on efficiencies, providing value to our customers, brand positioning and improved customer service, which has stood us in good stead in this challenging operating environment. ADvTECH delivered an exceptional financial performance once again, with an increase of 35% in NEPS for 2021 to 121.5 cents per share.

Excellent progress continued to be made against our strategic objectives (see page 28) and the ongoing focus on these initiatives supports the group's sustainability. The financial results and strategic progress are detailed in the commercial director's report on page 31 and in the strategy section on page 28.

Having consideration for the group's sound balance sheet, strong cash generation and satisfactory enrolments for 2022, the board has declared a final dividend of 31.0 cents per share. Together with the interim dividend of 19.0 cents per share, the full year's dividend is 50.0 cents per share (2020: 20.0 cents per share).

General

Stakeholder engagement is instrumental in our business and the board is committed to transparent and honest dialogue. After an extensive stakeholder engagement exercise around our remuneration policy, and following adjustments made to our policy (see pages 68 to 75), we received 98.36% (2020: 57.69%) shareholder support for our revised remuneration policy and 98.46% (2020: 81.6%) shareholder support for our implementation report at our annual general meeting (AGM) on 27 May 2021. We look forward to presenting our further enhanced remuneration policy at the group's AGM on 26 May 2022 as we are confident that this continues to align with shareholder needs.

Following the publishing of our 2020 integrated annual report in 2021, there were changes to the board. Professor Shirley Zinn (chairperson of the remuneration committee and lead independent non-executive director) having served her full tenure of nine years stepped down from the board effective 3 December 2021. The board also welcomed Sybile Lazar in October 2021 as a non-executive independent director who has experience at leadership positions in investment banking and international finance in emerging markets. I thank Shirley for her invaluable contribution and wish her well in her future endeavours. We look forward to Sybile's contribution as a board member.

I would like to extend my and the board's condolences to all employees and stakeholders of the ADvTECH group who have lost loved ones during the past year.

We also express our appreciation to the CEO and the executive leadership in executing the group's strategy through these turbulent times as well as to our resolute employees who continue to remain unwavering in their commitment. To my colleagues on the board, thank you for your invaluable input, wise counsel and support throughout another challenging year.

Thank you to all our stakeholders for their continued support and engagement.

One of ADvTECH's greatest strengths is our preparedness for and ability to rise to challenges. We remain geographically favourably positioned in South Africa and the rest of Africa, and with our focus on consistent academic excellence and holistic support of students, our offering will remain relevant and sustainable. Based on this, I am confident that ADvTECH's growth trajectory will continue.

In closing, a quote from the late Archbishop Desmond Tutu, which resonates with ADvTECH's ethos:

"Inclusive, good-quality education is a foundation for dynamic and equitable societies."

Sincerely

Chris Boulle
28 April 2022

OPERATING ENVIRONMENT

With our robust business model and quality assets, the group remains resilient and continues to stand firm despite challenges posed by the environment.

Having previously invested in substantial financial, human, intellectual, manufacturing and infrastructure capital ADvTECH continues to stand firm and resilient in the face of the global pandemic. Our sharpened focus on operational effectiveness and efficiencies continues to yield positive results both financially and operationally. Key elements impacting our operating environment include: the economy, COVID-19 regulations and social and political issues; and innovation and technology. These elements, together with ADvTECH's response thereto, are unpacked in this section, and what we anticipate for the foreseeable future.

The future regarding the global pandemic is still uncertain, as countries and regions continue to experience waves of infection and further lockdowns. Equitable access to safe and effective vaccines is critical to ending the COVID-19 pandemic. The World Health Organization (WHO) continues to work with partners to develop, manufacture and deploy safe and effective vaccines globally.

Our tailored approach to education and investments in state-of-the-art campuses, systems and up-to-date teaching and learning methodologies, together with professional academic employees, position us well to face any uncertainty with confidence.

ECONOMIC ENVIRONMENT

South Africa

While demand for quality education remains steadfast, the subdued economy continued to place financial pressure on our customers. In addition to the pandemic, various other factors impacted the local economy. These included high unemployment, increased sovereign debt risk, increased fuel prices and low GDP growth forecasts. Ongoing corruption and struggling state-owned enterprises, notably Eskom and its inability to provide a stable electricity supply also continues to hamper economic growth. While businesses opened as lockdown restrictions were eased, job opportunities remain limited, making education even more critical for the youth.

Rest of Africa

Economic growth prospects remain optimistic, with sub-Saharan Africa 2022 GDP forecast to grow by 3.8%. Our strategic decision to expand our footprint into the rest of Africa and provide high-quality educational offerings continues to augur well for our business.

ADvTECH's response

- No fee increases in 2021 for schools
- Assisting families financially, on a case-by-case basis
- Ongoing sharpened focus on operational effectiveness and efficiencies

SOLID PLATFORM POISED FOR FURTHER GROWTH INTO THE REST OF AFRICA

Quality education asset – education stock of choice

Population will double to **2.5** BILLION by 2050

1.2 BILLION will need education

66 MILLION students in private education in 2021

Urbanisation will go from **35%** (2010) to **50%**

Currently 40% of population is **0 – 14** years old

Source: www.statista.com

OUTLOOK

We expect the economic environment to remain challenging in South Africa, however, we are positive that with our focus on efficiencies and productivity and cost management the group will remain financially resilient. With our track record of innovation and academic excellence, we continue to look for opportunities to overcome adversity in this challenging and uncertain economic environment.

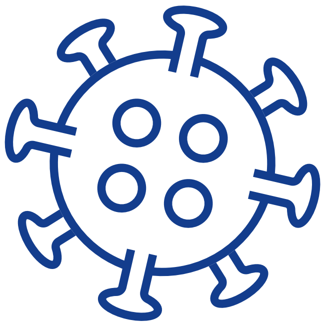
COVID-19

South Africa

Following South Africa's initial hard lockdown in response to COVID-19, the second and third waves also impacted our operations as we moved between various lockdown levels. The fourth wave arrived in early December 2021, with the added complication of a further variant (Omicron) having been identified. Symptoms, however, appeared to be milder. Despite these COVID-19 wave disruptions, we continued with our 2021 academic year in South Africa.

In November 2021, President Cyril Ramaphosa announced that government would set up a task team to undertake broad consultations on making vaccination mandatory for specific activities and locations. While this mandate is facing resistance and is only expected to be introduced in 2022, if at all, several businesses have already taken steps to introduce mandatory vaccination policies.

Whilst we do not have a mandatory vaccination policy, we are encouraging our employees to vaccinate through factual education focused communication campaigns.



Rest of Africa

In January 2021, all schools in Kenya were allowed to reopen for face-to-face teaching. This was after the extended period of closures between March and December 2020.

The 2020 closures affected the Makini Schools severely as they were not able to allow their students to progress with the National Curriculum.

As a result of the closures the schools following the National Curriculum had to adapt to the revised school calendars for 2021 and 2022 whereby these schools now had to offer four terms per annum instead of the normal three terms. This would allow the National Curriculum schools to effectively catch up on the two terms of teaching lost during 2020.

Makini Schools managed to offer face-to-face teaching for the whole of 2021 without any further lockdowns.

Crawford International School continued with their 2021 academic year and was not affected by the adjusted school terms as they follow the Cambridge International Curriculum.

Other than for some minor amendments to the timing of holidays that impacted the length of the terms, Gaborone International School (GIS) managed to successfully complete their 2021 academic year, on a face-to-face basis until the school closed for the December 2021 holidays.

ADvTECH's response

The group continues to ensure the health and safety of our employees, students and the broader ADvTECH community with various measures:

- COVID-19 protocols, adhered to as prescribed by authorities at any given time
- Compliance with all government mandated measures, as prescribed at the time
- Implemented an employee wellness programme focusing on mental and emotional health
- Provided financial and psychological support for students, parents and employees
- Ongoing encouragement of employees to get vaccinated
- Cash preservation and careful balance sheet management
- Adaptation of the Makini offering to include the Cambridge International Curriculum as an alternative offering

OUTLOOK

We anticipate that the pandemic could remain a challenge in the foreseeable future as new waves and/or variants could result in various lockdown level restrictions. With our mitigating actions, we are confident that we will navigate through these challenges, should they arise.

REGULATORY ENVIRONMENT

We operate in a dynamic regulatory environment in South Africa, Botswana, Mauritius and Kenya. Our most material regulations impact our educational and health and safety environment. This additional legislation promulgated due to COVID-19 remains in place, focusing on disaster management and health and safety protocols.

ADvTECH and its subsidiaries have various affiliations and memberships to key sector associations/bodies.

Group response

Ongoing monitoring of new regulatory developments

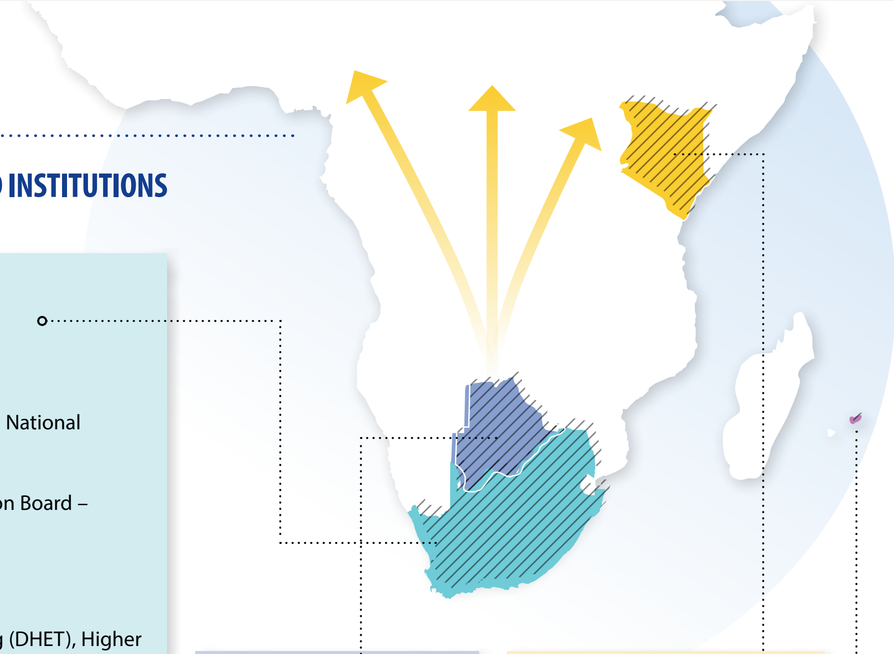
Continuous engagement with regulatory bodies to provide comment on proposed regulation

COVID-19 disaster management and safety protocols strictly monitored and adhered to group wide

OUTLOOK

In an ever-changing global environment, change is the only constant and we expect our regulatory environment to continue evolving. We are optimistic that our ongoing regulatory engagements will contribute to positively shaping our regulatory landscape.

MATERIAL LEGISLATION, COUNCILS AND INSTITUTIONS IN THE AREAS WHERE WE OPERATE



South Africa

- Competition Act and Companies Act
- JSE Listings Requirements
- South African Schools Act
- South African Qualifications Authority (SAQA) National Qualification Framework (NQF) Act
- Skills Development Act
- Universities South Africa (USAf) – Matriculation Board – degree Exemption Requirements
- Consumer Protection Act
- Department of Basic Education (DBE)
- Provincial Departments of Education (PDEs)
- Department of Higher Education and Training (DHET), Higher Education Act and Regulations for the Registration of Private Higher Education Institution(s) (PHEIs)
- Department of Labour (DOL) – Immigration Act and Regulations
- Protection of Personal Information Act (POPIA)
- Promotion of Access to Information Act
- Legal Practice Act
- Disaster Management Act: Regulations relating to COVID-19
- Occupational Health and Safety Act
- Accreditation with Umalusi Council and the Higher Education Quality Committee (HEQC) of the Council on Higher Education (CHE)
- Registration of teachers with the South African Council for Educators (SACE)

Membership bodies

- Associate member of the Independent Schools Association of Southern Africa (ISASA)
- SA Private Higher Education (SAPHE) association
- Universities South Africa (USAf)
- Federation of African Professional Staffing Organisations (APSO)
- Institute for Personnel Service Consultants (IPSC)
- Confederation of Associations in the Private Employment Sector (CAPES)

Botswana

- Minister of Basic Education
- Minister of Health and Wellness
- Ministry of Employment, Labour, Productivity and Skills Development
- Botswana Teaching Professionals Council Act

International bodies

- British Accreditation Council (BAC)
- Cambridge International Assessment Authority
- International Baccalaureate (IB)

Kenya

- Kenyan Ministry of Education
- Kiambu County Department of Education
- Kenyan National Examinations Council
- Kenya Ministry of Health
- Kiambu County Department of Health
- Teachers Service Commission

Mauritius

- Registrar of Companies
- Financial Services Commission
- Mauritius Revenue Authority

SOCIO-POLITICAL ENVIRONMENT

South Africa

COVID-19 not only highlighted the inequality of education in South Africa, but it also highlighted inequality across various other sectors such as infrastructure, housing, adequate electricity and water and access to the bandwidth and hardware required to continue learning. In July 2021, South Africa experienced violent protests fuelled by high unemployment, economic inequality and political discord. This led to rioting and looting that was reminiscent of the violence the country experienced at the end of apartheid. While ADvTECH schools and campuses were not impacted, some of the surrounding communities (especially in KwaZulu-Natal and Gauteng) were severely impacted.

Group response

- Offered virtual catch-up sessions at various campuses to supplement online learning
- Instilling a culture of respect and inclusion through our RDI campaign
- Additional security deployed in schools and on campuses in light of civil riots during the school holiday
- Revisited and improved our security protocols and processes in light of student abductions

OUTLOOK

While political and social issues remain a challenge in South Africa, ADvTECH is committed to creating an inclusive work/study environment for its employees, students and customers.

INNOVATION AND TECHNOLOGY

Innovation and technology continue to play and important role in ensuring ADvTECH meets its customers' expectations and remains an educator of choice.

Group response

- Ongoing investment in efficient and effective systems
- Innovative blended learning educational offerings (face-to-face and online) and EdTech
- Group Shared Services (GSS) has streamlined business processes and strategic decision making
- Driving process automation
- Implemented our student information system (SIS) in our tertiary division and extended to all schools in Africa
- Investment in enterprise data architecture and tools to provide business value through data
- Investment in key resources to provide the necessary skills to leverage technology

KEY FACTS

Investment of
R66 MILLION
in technology:

- Student information and accounting systems **R12.7 million**

OUTLOOK

We are aware that innovation and technology have become part of our daily operations and we strive to keep ahead of developments to ensure we deliver on our customer value proposition.

MATERIAL MATTERS

Our material matters are those issues that could substantially impact our ability to execute our strategic priorities.

During 2021 we reassessed our material matters as part of our materiality determination process (see page 1).

Material matter	Why this matter is important	Related risk	Related strategic objective
MM 1 Academic excellence	Academic excellence remains central to our value proposition. Ongoing research and development set us apart from other academic institutions so that ADvTECH remains the school or tertiary institution of choice. We invest significant resources in teaching, learning, benchmarking and learning analytics to ensure every student has the best chance at success.	2 Regulatory environment flux, uncertainty and bureaucratic process 4 Increasing competition	SO 1 Academic excellence SO 3 Customer focus SO 2 Growth SO 7 Excellence through specialisation
MM 2 Customer value proposition	Excellent service that focuses on our customers' value proposition is an important component in growing our business and delivering a high-quality end-to-end service to our customers.	4 Increasing competition 5 Data privacy, leaking of sensitive information and cyber security	SO 2 Growth SO 7 Excellence through specialisation SO 3 Customer focus
MM 3 Challenging socio-economic conditions	Challenging socioeconomic conditions may adversely impact our strategy execution and our customers' choice of education options and opportunities in the job market.	1 Economic climate 3 Pandemics: COVID-19 4 Increasing competition 6 Return on investments 9 Significant internal fraud 10 Talent attraction and retention	SO 1 Academic excellence SO 2 Growth SO 3 Customer focus
MM 4 Regulatory changes and bureaucratic delays	Regulatory changes and bureaucratic delays could impact our ability to obtain licensing and accreditation approval, thereby affecting our expansion strategy.	2 Regulatory environment flux, uncertainty and bureaucratic process 5 Data privacy, leak of sensitive information and cyber security	SO 1 Academic excellence SO 3 Customer focus SO 2 Growth
MM 5 Prudent investment and expansion	Prudent investment and expansion activities remain a short- and long-term focus. Our growth strategy includes expansion through organic growth, acquisitions and greenfield projects.	1 Economic climate 3 Pandemics: COVID-19 6 Return on investments	SO 2 Growth SO 6 Capital productivity
MM 6 An effective human resources strategy	An effective human resources strategy ensures business continuity and positive societal impact. With the correct development interventions, our employee complement will accurately represent the diverse communities we serve. Transformation and succession planning initiatives enable us to attract, develop and retain the best talent as well as ensure a high-performance culture.	7 Managing human rights and dignity 8 Transformation 10 Talent attraction and retention	SO 1 Academic excellence SO 2 Growth SO 5 Human capital productivity

OUR BUSINESS MODEL AND VALUE CREATION

INPUTS

Our capital resources are critical inputs for our business activities

FC
- **R1 472 million** operating cash flows (2020: R1 265 million)
- Debt and capital resources

IC
- **26** brands (2020: 26)
- Central academic team – academic research, development and integrity
- Academic integrity
- IT systems and processes
- Internationally recognised academic accreditations

SC
- **36 802** school enrolments (2021: 33 903)
- **47 539** tertiary full qualification (2021: 45 647)
- Bursaries and corporate social investment **R207 million** (2020: R216 million)

HC
- **7 866** employees (2020: 7 853)

MC
- **140** education sites (2020: 142)
- Digitally enabled campuses

NC
- Natural resources – land, water and electricity

BUSINESS ACTIVITIES

Our business activities ensure that we execute our strategy in an efficient manner to deliver on our customer value proposition

PURPOSE Page 28.

EDUCATIONAL DIVISIONS (school and private university fees)
SCHOOLS
TERTIARY/UNIVERSITY

RESOURCING (placement fees)

GROUP SUPPORT SERVICES (administrative and specialised support)

STRATEGIC OBJECTIVES Page 28.

VALUES Page 28.

OUTPUTS

Our outputs culminate in achieving our purpose of building and growing a capable business in education, training and placement to enrich the lives of our employees, students and clients

ACADEMIC EXCELLENCE		SUCCESSFUL PLACEMENTS
SCHOOLS	TERTIARY/UNIVERSITY	RESOURCING

- Robust corporate governance Page 66 and risk management Page 14.
- Stakeholders Page 49.
- Material matters Page 12.
- External and internal operating environment Page 8.
- Regulatory environment Page 10.

OUTCOMES

Through our business model's inputs, business activities and outputs we strive to create stakeholder value while balancing our capital trade-offs

Capital	Outcomes	STAKEHOLDERS IMPACTED	TRADE-OFFS
FC (Page 30.)	Revenue up 8% to R5.9 billion (2020: R5.5 billion) Operating profit up 22% to R1 108 million (2020: R908 million) Optimised organisational processes and structures Dividend 50.0 cents per share (2020: 20.0 cents per share) Geographic expansion		Revenue growth and cash generated from our operations positively impacts on our financial capital and any capital outlays for expansions or investments would reduce our financial capital.
IC (Page 37.)	99% IEB pass rate (2020: 98%) The IIE has 134 accredited qualifications (2021: 137) with 29 qualifications in the pipeline pending accreditation Supporting economic growth through jobs created – 19 554 graduates placed in employment since 2013 Effective teacher to student ratios for optimal learning Effective online academic offerings		Financial capital deployed for ongoing research and development of academically sound curricula and processes positively impacted our intellectual capital and social and relationship capital (students, recruitment candidates, community).
SC (Page 46.)	Uplifting and developing society in line with the UN SDGs – 687 CSI projects supported (2020: 501) Approximately 13 685 students assisted with bursaries Ongoing COVID-19 vaccination communication and provision of vaccination sites at tertiary brand's campuses		Financial capital deployed in respect of CSI projects positively impacted our social and relationship capital. Good progress with COVID-19 vaccination communication positively impacted human capital (employees/independent contractors, students) and reduced absenteeism.
HC (Page 55.)	R2.8 billion in salaries and benefits paid to employees (2020: R2.5 billion) R13 million invested in employee development and training (2020: R11 million) Supporting South Africa's transformation goals		The deployment of financial capital in training and development positively impacted on our human capital. The loss of 4 employee lives and 2.3% of our employees and students who contracted COVID-19 impacted negatively on human capital.
MC (Page 59.)	R342 million invested in expansion projects (2020: R308 million) Prioritised investments to maximise returns on investments Sold Maragon Avianto Pre-Primary and Primary schools		Any expansion projects, such as opening new schools and campuses, positively impacts our manufactured capital as we expand our brand portfolio. Similarly, any investments in infrastructure would also positively impact our manufactured and infrastructure capital. The capital trade-off is a reduction of financial capital.
NC (Page 62.)	Water consumption down by 6% Target set for a 6% reduction in electricity by 2023		Natural capital impacted by consumption of natural resources (water and electricity).

Value created | Value preserved

CLICK TO SEE ICON DESCRIPTIONS

RISK MANAGEMENT

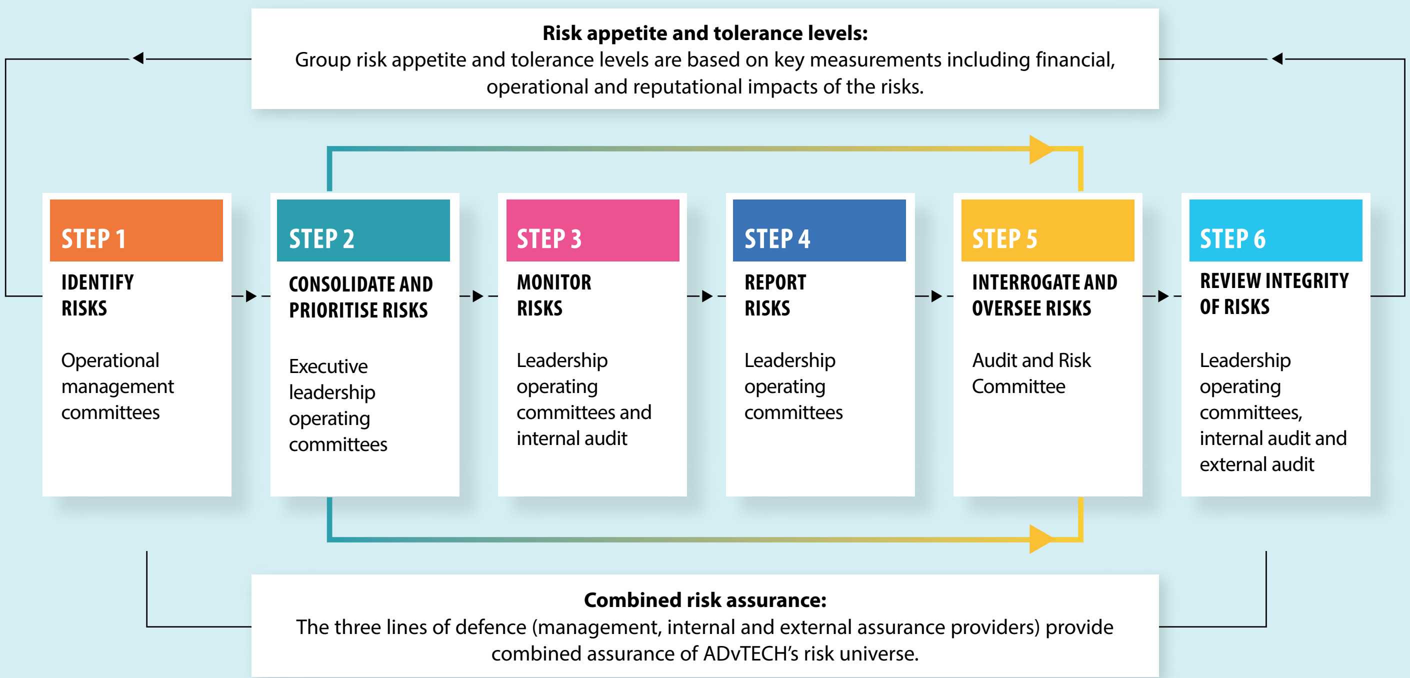
The board oversees risk management in accordance with our strategy and the ARCom assists the board in monitoring and overseeing the group's risk universe.

RISK IDENTIFICATION AND MANAGEMENT APPROACH

Risk management is an integrated approach that involves the board, leadership operating committees and operational management. The board evaluates and agrees on the group's risk appetite and risk tolerance in pursuit of its strategic objectives. The board delegates the responsibility of implementing and executing effective risk management to the group's leadership in line with the risk policy and exercises ongoing oversight of risk management.

Various external and internal factors are considered when identifying group risks. These factors include our operating environment, strategic imperatives, material matters and critical stakeholder concerns that may have been raised during engagement. Our capital resources, particularly financial capital, human capital, manufactured capital and infrastructure capital, are important in ensuring that we use these capitals in an efficient manner to manage risk impacts and mitigate the risks identified.

Risk approach



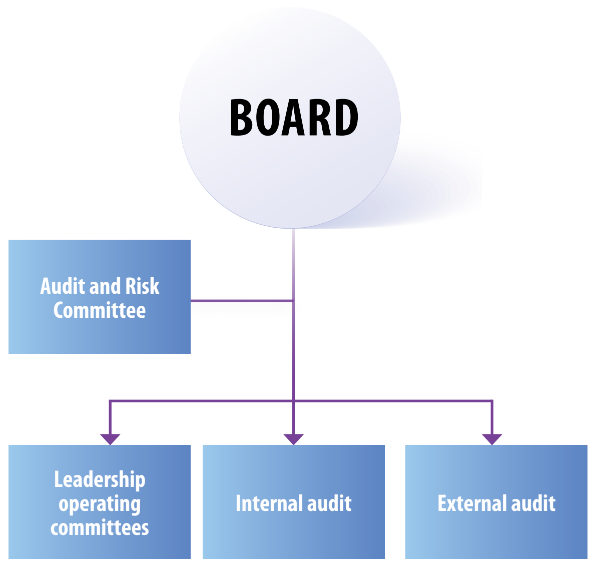
RISK GOVERNANCE

The board has ultimate accountability for the group's risks and is supported by the ARCom. The board delegates the oversight of the group's risks to the ARCom and the chairman of the ARCom provides regular feedback to the board on ADvTECH's key risks and mitigating actions. The combined assurance model provides comfort to the board that the group's risks are subject to our robust combined assurance framework.

The oversight, management and combined assurance model of risk management enables an effective internal control environment and supports the integrity of information used for internal decision-making, strategy development and business planning within the group.

The group continues to refine its approach to governing risk to ensure that it remains effective.

Risk governance framework



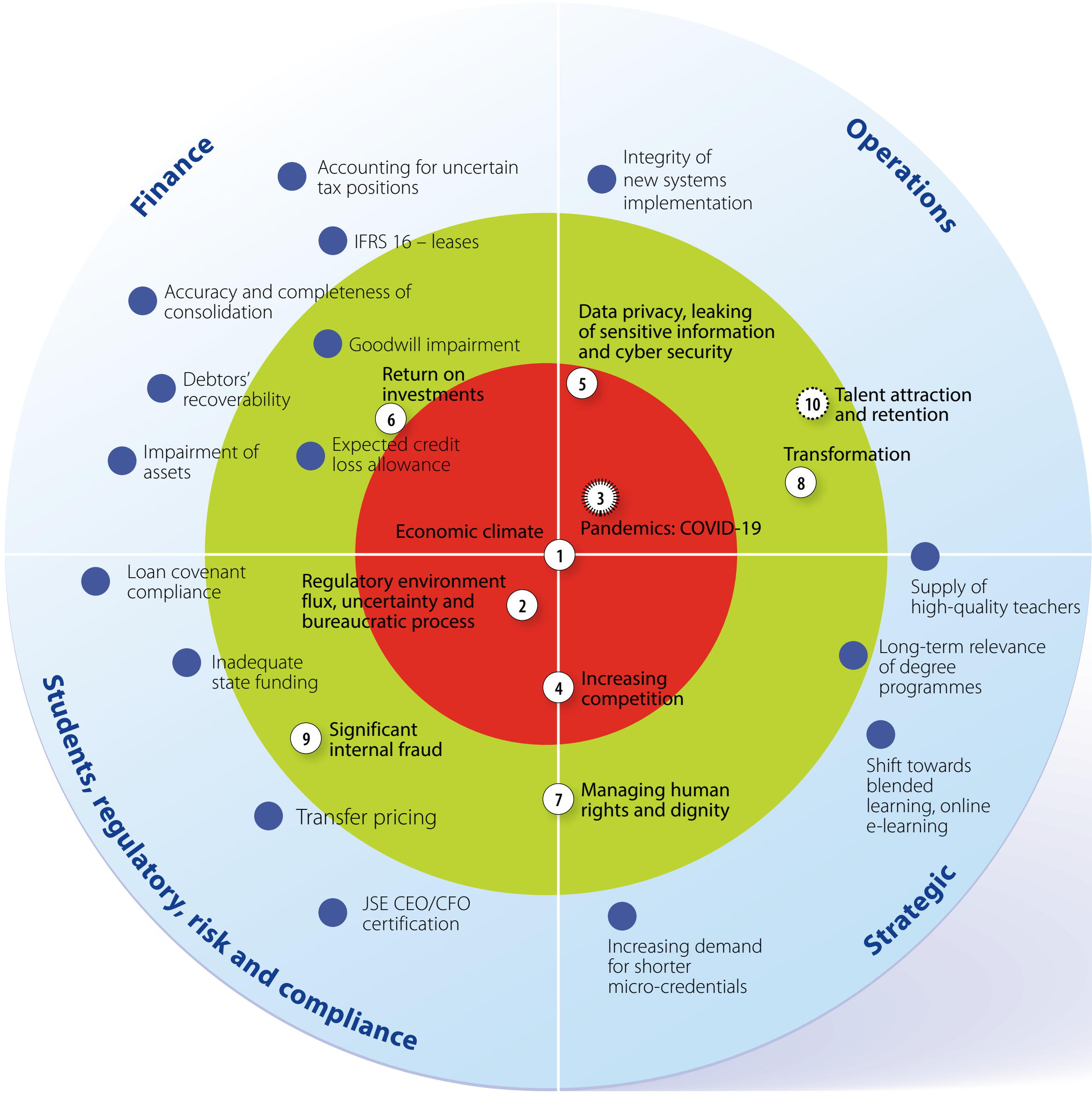
Significant risks

Our risk universe has been updated to align with the current operating environment. Based on our risk identification process, the top 10 risks tabled below were identified as the most significant. Where possible we have identified opportunities arising from these risks, which will be considered and pursued where feasible. Although COVID-19 continues to have an impact on our educational offering from a teaching and learning perspective, the business is comfortable that it has the necessary policies and procedures in place to deal with the impact of any further lockdown restrictions being imposed. The business was able to move 75 000 students online with the first lockdown imposed in 2020 without the loss of a single academic day.

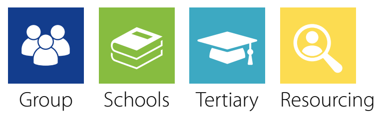
The 2021 top 10 risks remained unchanged, except for the talent attraction and retention risk, which moved into the top 10. Certification fraud is no longer part of ADvTECH's top 10 risks but still forms part of the group's risk universe.

Top 10 risks

1	(2020: 2)	Economic climate	Group
2	(2020: 3)	Regulatory environment flux, uncertainty and bureaucratic process	Tertiary
3	(2020: 1)	Pandemics: COVID-19	Group
4	(2020: 4)	Increasing competition	Schools, Tertiary
5	(2020: 5)	Data privacy, leaking of sensitive information and cyber security	Group
6	(2020: 6)	Return on investments	Group
7	(2020: 7)	Managing human rights and dignity	Group
8	(2020: 8)	Transformation	Resourcing
9	(2020: 10)	Significant internal fraud	Group
10	(2020: new to top 10)	Talent attraction and retention	Group



IMPACTED AREAS



RISK RATING

1 Economic climate (2020: 2)

Unpacking our risk

Continual deterioration of the economic climate preventing us from achieving strategic growth objectives.

Level of control: High
Board committee: Board

Key stakeholders impacted:
- Investors and shareholders
- Employees/independent contractors
- Recruitment candidates and clients
- Students and parents

Mitigating actions

- There is continual review of expenses and efficient use of capex and investments to maximise returns
- Internal covenants for borrowings have been set at a more stringent level than they have been granted by the bank
- Fees are being reviewed in line with effectiveness and efficiency models
- Investments into better performing economies in the rest of Africa are being prioritised
- Non-essential capex, operational costs and new hires have been placed on hold
- Enhanced systems and processes for debt collections, which include the centralisation of systems and information through GSS

Strategic objectives impacted

SO 1 | SO 2 | SO 4 | SO 7

Material matters

MM 1 | MM 2 | MM 5

Capital resources impacted

FC | HC | MC | SC

+ CLICK TO SEE ICON DESCRIPTIONS

Opportunity

- Rollout of our mid-fee brands
- Exploring investment opportunities in the rest of Africa
- Driving efficiencies to be able to deliver value to our customers

2 Regulatory environment flux, uncertainty and bureaucratic process (2020: 3)

Unpacking our risk

Ideology impacting on education and our accreditation together with additional COVID-19 legislation implemented, necessitating additional controls. These accreditations are necessary for us to deliver on our strategy.

Level of control: High
Board committee: Audit and Risk

Key stakeholders impacted:
- Regulatory bodies and government
- Investors and shareholders
- Students and parents
- Employees/independent contractors
- Community and environment

Mitigating actions

- Continual review of current and new requirements to ensure compliance and focusing on building relationships with regulators
- Focus on accreditation, both locally and internationally and maintaining accreditation audits

Opportunity

Identifying optimal processes and continuously streamlining efficiencies and proactive regulatory engagement

Strategic objectives impacted

SO 3 | SO 4 | SO 5 | SO 6

Material matters

MM 1 | MM 3

Capital resources impacted

FC | HC | SC

+ CLICK TO SEE ICON DESCRIPTIONS

3 Pandemics: COVID-19 (2020: 1)

Unpacking our risk

Current and potential pandemics can impact our business operations and change the 'normal' business approach to operations.

Level of control: High

Board committee: Board

Key stakeholders impacted:

- Students and parents
- Employees/independent contractors
- Suppliers
- Shareholders and community

Strategic objectives impacted

SO 1, SO 2, SO 3, SO 4, SO 5, SO 6, SO 7

Material matters

MM 2, MM 5

Capital resources impacted

FC, HC, MC, SC, NC

CLICK TO SEE ICON DESCRIPTIONS

Mitigating actions

- Online teaching capability is in place
- An incident response team is in place
- Ongoing risk assessments and incident tracking
- Compliance with state directives including temporary closure of campuses and schools, when required
- Communication and information campaigns
- Improvement of employees' ability to work remotely
- Embedded WHO and National Institute for Communicable Diseases (NICD) protocols
- Non-essential capex and operational costs placed on hold
- Vaccination information and encouragement to get vaccinated provided groupwide
- Financial impact analysis in place to support business decision making
- Product offerings in place – Evolve Online School as a comprehensive online schooling programme and MindSharp as a tertiary online offering as an alternative product to those who feel unsafe in a face-to-face environment

Opportunity

Diversified academic offering for students and learners – online, face-to-face and hybrid models

4 Increasing competition (2020: 4)

Unpacking our risk

Increased competition from private education providers and/or public colleges and schools. Challenges in the public landscape.

Level of control: Medium

Board committee: Audit and Risk

Key stakeholders impacted:

- Regulatory bodies and government
- Investors and shareholders
- Students and parents
- Employees/independent contractors and community

Strategic objectives impacted

SO 1, SO 3, SO 4

Material matters

MM 1, MM 2

Capital resources impacted

FC, HC, IC, SC

CLICK TO SEE ICON DESCRIPTIONS

Mitigating actions

- Continuously improving operational excellence and customer focus
- Exploring new markets (both segments and geographies)
- Research and development of relevant technological and operational innovation
- Robust and detailed evaluations precede any investments made
- The brand product and value proposition strategy are continuously reviewed
- Student acquisition and retention initiatives are continuously reviewed
- Competitive offerings are continually reviewed and acquisition propositions are made where appropriate

Opportunity

New brand and product offerings

RISK MANAGEMENT CONTINUED

5 Data privacy, leaking of sensitive information and cyber security (2020: 5)

Unpacking our risk

Complex regulatory environments impacting on IT systems and data, including the Electronic and Communications Transactions Act and POPIA; complexity of IT systems, infrastructure and services; intentional user malfeasance; unintentional user error; hacking or infiltration by third parties.

Level of control: Medium

Board committee: Audit and Risk

Key stakeholders impacted:

- Regulatory bodies and government
- Investors and shareholders
- Students and parents
- Employees/independent contractors and community

Strategic objectives impacted

SO 1, SO 4, SO 6

Material matters

MM 1, MM 2, MM 3, MM 6

Capital resources impacted

FC, MC, SC, HC

CLICK TO SEE ICON DESCRIPTIONS

Mitigating actions

- Resilient technology solutions in place
- Business continuity including an IT disaster recovery plan is in place and all hard drives on laptops and information in transit are encrypted
- IT security incident process in place
- Group Chief Information Officer (CIO) appointed as Group Information Officer and managing directors appointed as deputy information officers for the brands
- Established a privacy forum that meets quarterly to monitor, track and resolve issues/queries logged through the privacy helpdesk and who reports into the Information and Communications Technology (ICT) Steering Committee
- Relevant data security and privacy policies in place
- IT security framework in place and independently evaluated
- Security awareness programmes in place

Opportunity

Our robust systems enhance our reputation in the market

6 Return on investment (2020: 6)

Unpacking our risk

Risk of investments not performing to objectives/expectations.

Level of control: High

Board committee: Investment

Key stakeholders impacted:

- Investors and shareholders

Strategic objectives impacted

SO 2, SO 4, SO 6, SO 7

Material matters

MM 2, MM 5

Capital resources impacted

FC, HC, MC, SC

CLICK TO SEE ICON DESCRIPTIONS

Mitigating actions

- Careful due diligence is undertaken in respect of the ongoing operations and new acquisitions through market research and financial modelling
- Integration plans and teams are in place to optimise the integration of acquisitions into the business
- Post investment analysis (consisting of corrective actions and lessons learnt) are undertaken by the investment committee
- Optimising the capacity of all our sites

Opportunity

- Allocation of funds to projects that maximise return on funds at the lowest risk
- Ensure synergies are derived from acquisitions

7 Manage human rights and dignity (2020: 7)

Unpacking our risk

Ensuring that students, parents, employees and all other stakeholders are not discriminated against, including discrimination on the grounds of race, gender or sexual orientation, among others. Additionally, that students are proactively protected against abuse and bullying, and by acting immediately once informed of infringements by way of decisive action.

Level of control: Medium

Board committee: Board and Transformation, Social and Ethics Committee (TSEC)

Key stakeholders impacted:
- Students and parents
- Employees/independent contractors

Mitigating actions

- Regulatory and legal compliance frameworks have been identified and are communicated groupwide
- Group fraud hotline/ethics hotline is in place and a business code of conduct has been implemented and is being consolidated
- Various policies in place such as the sexual harassment policy and social media policy
- An RDI programme in place

Opportunity

Our reputation in this regard can make our value proposition as an employer of choice more compelling

Strategic objectives impacted

SO 1, SO 2, SO 4, SO 5

Material matters

MM 6

Capital resources impacted

FC | HC | SC

+ CLICK TO SEE ICON DESCRIPTIONS

8 Transformation (2020: 8)

Unpacking our risk

The risk of not being sufficiently transformed impacts on our ability to source and retain business.

Level of control: Medium

Board committee: TSEC

Key stakeholders impacted:
- Investors and shareholders
- Employees
- Recruitment candidates and clients
- Students and parents

Mitigating actions

- Opportunities for employment equity candidates are reviewed continuously in line with the businesses to maximise our B-BBEE rating
- Key focus areas are currently included and measured as part of Key Performance Indicators (KPIs) at executive and management level
- External consultants have been retained to provide expert advice on improving the B-BBEE rating

Opportunity

- Growth
- Employer of choice

Strategic objectives impacted

SO 2, SO 4

Material matters

MM 6

Capital resources impacted

FC | HC | SC

+ CLICK TO SEE ICON DESCRIPTIONS

9 Significant internal fraud (2020: 10)

Unpacking our risk

Breakdown in internal control systems and procedures that result in significant internal fraud.

Level of control: Medium

Board committee: Audit and Risk

Key stakeholders impacted:
- Employees/independent contractors
- Regulatory bodies and government
- Investors and shareholders
- Students and parents

Strategic objectives impacted

SO 2 SO 3 SO 7

Material matters

MM 2 MM 3

Capital resources impacted

FC IC HC SC MC

CLICK TO SEE ICON DESCRIPTIONS

Mitigating actions

- Internal control processes, including segregation of duties, are in place groupwide
- Internal audit and peer review processes have been rolled out across the business and significant internal audit findings are regularly tracked and actioned by management
- Qualified and competent financial personnel in key financial positions
- A code of ethics and behavioural standards in place for all employees
- A whistle-blower policy is in place
- External audit review of internal controls and processes
- Effective controls and automated systems
- Hotline in place in South Africa as well as rest of Africa for anonymous reporting purposes

Opportunity

Positive reputation and improved return for shareholders

10 Talent attraction and retention (2020: new to top 10)

Unpacking our risk

Inability to attract and retain the right skills.

Level of control: High

Board committee: Remuneration

Key stakeholders impacted:
- Employees/independent contractors
- Students and parents

Strategic objectives impacted

SO 2 SO 4 SO 5

Material matters

MM 2 MM 6

Capital resources impacted

FC IC HC SC

CLICK TO SEE ICON DESCRIPTIONS

Mitigating actions

- A proactive human resources strategy is in place to assist with talent attraction, performance management and employee development
- Market-related rewards in place including incentives and bonus schemes
- Relevant Human Resources (HR) policies in place to promote a safe and inclusive working environment
- An RDI programme in place
- Leadership development programmes in place to address succession planning
- A comprehensive employee wellness programme in place
- Ongoing employee engagement through formal surveys to encourage retention
- Proactive equity resourcing plan in place to drive transformation

Opportunity

Skilled and motivated employees result in a positive employee culture that leads to becoming an employer of choice

The ARCom has monitored compliance with the risk appetite of the group and is satisfied that the group has, in all material respects, complied with the policy during the year under review.

The committee further confirms that there were no undue, unexpected or unusual risks taken outside of the agreed risk tolerance levels. Looking ahead, we will continue to improve our risk management frameworks and processes to ensure increased accountability across all our operations to track the group's performance against our strategy.

CHIEF EXECUTIVE OFFICER'S REVIEW

Strong results reflect a trend of consistent performance delivery

ADvTECH again achieved an excellent set of results in the 2021 financial year, maintaining our trend of delivering a consistent, strong performance. The healthy and robust position of the group reflects the quality of our assets and the strength, flexibility and agility of the business model.

Roy Douglas

The results give us confidence for the future and an expectation that we will continue our growth trajectory.

Our commitment to academic excellence, combined with a clear focus on delivering value to our customers, is at the core of our strategy and is fundamental to ADvTECH's success.

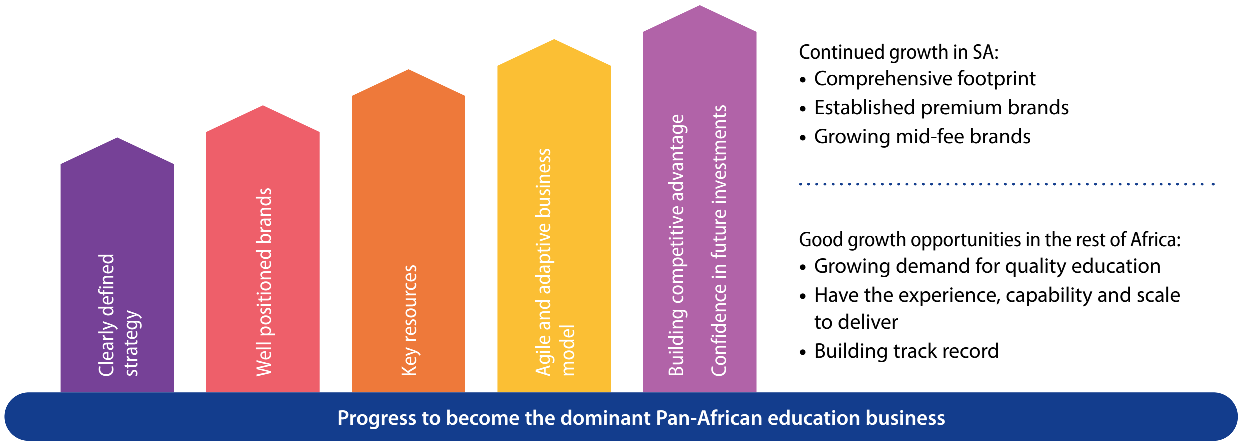
Our comprehensive educational offering, flexible delivery methods, improved systems, market leading pastoral support and ability to transition seamlessly between online and physical platforms, enabled us to provide quality education without interruption in a challenging and changing environment. These differentiating factors form the basis of our competitive advantage.

Please read more on our intellectual capital on page 37.

The group has continuously improved through targeted initiatives that include improved structures, investment in systems, enhanced technological capability and strong financial management. These contributed to our ability to adapt to the circumstances created by the pandemic while maintaining our high level of performance.

SOLID BASE FORMING FOR THE GROUP'S COMPETITIVE ADVANTAGE

Ability to leverage scale



The continuing enrolment growth is encouraging and is testimony to our ongoing focus on enhancing our value proposition, outstanding academic delivery and operational efficiencies aimed at providing value to our students and their parents.

Enrolments	Feb 2018	Feb 2019	Feb 2020	Feb 2021	Feb 2022	Feb 2021 vs Feb 2022 % increase
Schools: South Africa	25 443	25 448	26 393	27 334	29 599	8%
Schools: rest of Africa	1 965	5 379	5 977	6 569	7 203	10%
Schools division	27 408	30 827	32 370	33 903	36 802	9%
Tertiary: full qualifications	36 136	39 629	44 975	45 647	47 539	4%
Total group enrolments	**63 544**	**70 456**	**77 345**	**79 550**	**84 341**	**6%**

CEO REVIEW CONTINUED

Strong financial performance

The group's strong financial performance, strong cash generation and robust balance sheet are evidence of our sound business model, clear market focus and effective and efficient operations.

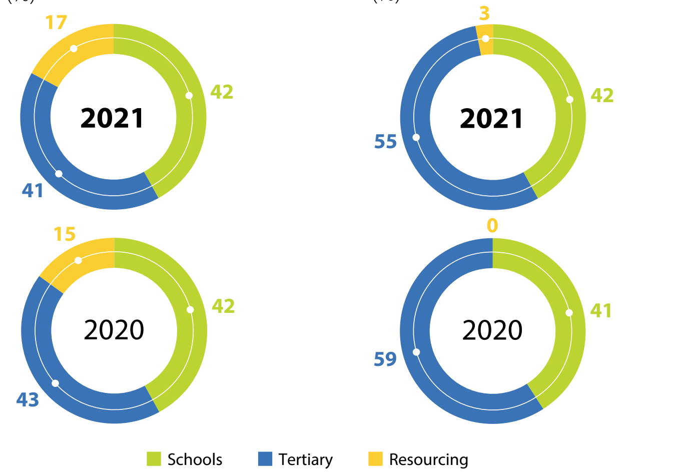
We were pleased to be able to help our customers by keeping pricing in check – zero increases in schools and below inflation increases in tertiary – and still record profit growth ahead of inflation – underscoring our good underlying volume growth and positioning us well for the future. Group revenue grew by 8% to R5.9 billion.

Operating profit rose by 22% to R1 108 million with group operating margins improving to 18.7%, due to the operating leverage resulting from enrolment growth, a significant improvement in collections and the continued focus on efficiency improvements. Despite the impact of the pandemic, our compounded annual operating profit growth rate in the last three years has matched that achieved in the last five years.

For more financial insights please refer to the financial capital section and the Group Commercial Director's report from pages 31 to 33.

We are pleased that all our divisions delivered good results, with schools gathering momentum and tertiary continuing to perform well. The recovery in the resourcing division, the hardest hit during the pandemic, was due to determined, swift and focused action and some significant sacrifices by the resourcing management team. Their decision to pursue alternative markets continues to be successful.

Segmental overview



Operational review

Schools division

Particularly pleasing results were delivered despite the zero fee increase in 2021. Our new schools are ahead of the planned J-curve and appropriate capital expenditure has been allocated to projects showing potential.

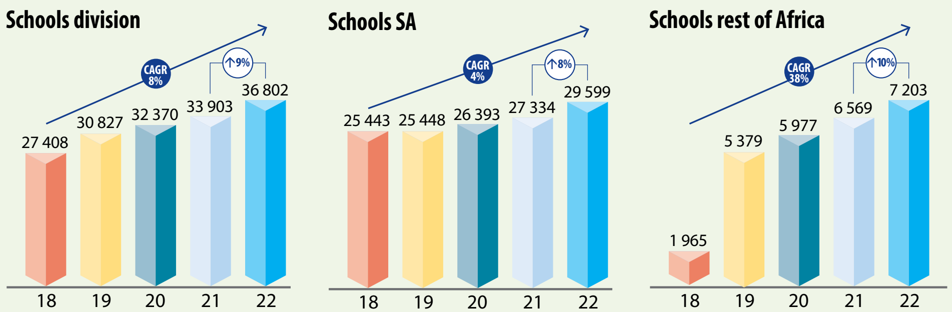
Enrolment continued to grow strongly into 2022, and rose by 8% in South Africa to 29 599 and by 10% in rest of Africa to 7 203.

Fundamental to the current enrolment success is our comprehensive brand portfolio, and emphasis on customer service and marketing strategies. We ensured that the value propositions are well understood, that the brands are correctly resourced and our people are aligned with our brand promises.

At the heart of our strategy and our product offering is academic excellence, which is made possible through our ability to switch delivery platforms – online, hybrid, physical classes – at short notice. It affirms our agility in the face of unforeseen disruptions to our academic programme.

Schools: Student Enrolments

Strong enrolment growth in 2022 evidence of gathering momentum



COMPREHENSIVE BRAND PORTFOLIO – SCHOOLS DIVISION

CEO REVIEW CONTINUED

Schools South Africa

In delivering our promise of academic excellence to our students they have achieved outstanding results as depicted below.

Please read more on our intellectual capital on page 37.

Revenue was up 4% to R2.2 billion and operating profit increased by 10% to R413 million, with the operating margin improving from 17.8% to 18.9%.

Our restructuring initiatives focused on eliminating waste and duplication of effort which enhanced our quality offering while still improving the operating margin. Both premium and mid-fee brands performed well and the Evolve Online School was launched successfully. Enrolments continued to climb throughout the year and extramural and aftercare showed a recovery in the second half.

All our brands, including the premium brands, have grown in enrolments.

ACADEMIC RESULTS ACHIEVED IN SOUTH AFRICA

Outstanding academic delivery despite the pandemic disruptions

Independent Examination Board (IEB) results

ADvTECH IEB STUDENTS
99.3% matric pass rate

IEB STUDENTS
98.4% matric pass rate

ADvTECH IEB STUDENTS
91% bachelor degree pass rate

IEB STUDENTS
89% bachelor degree pass rate

Department of Basic Education (DBE) results

ADvTECH DBE STUDENTS
94% matric pass rate

DBE STUDENTS
76% matric pass rate

ADvTECH DBE STUDENTS
71% bachelor degree pass rate

DBE STUDENTS
36% bachelor degree pass rate

ADvTECH STUDENTS
2.1 distinctions per candidate

ADvTECH STUDENTS
13% students with 6+ distinctions

Schools rest of Africa

Strong performance underscores the viability of our investments

All our schools outside South Africa have experienced good enrolment growth. They are operationally sound and achieved higher profitability and good return on investment. Revenue increased by 36% to R268 million and an operating profit of R47 million was achieved compared to a R10 million loss in 2020. The operating margin of 17.7% is on par with our South African schools and is expected to improve further. This underscores the viability of our investment and gives confidence for further expansion.

We are delighted to report a 100% pass rate in the Cambridge International General Certificate of Secondary Education (IGCSE) exams across our schools with an average of three distinctions per candidate. The healthy growth in student numbers augurs well for 2022.

Gaborone International School (GIS) continues to perform exceptionally well with outstanding enrolment growth and market leading academic results. The largest high school in the ADvTECH group by number of enrolments, GIS achieved top academic results and averaged 3.3 distinctions per candidate.

The quality of the offering has led to excess demand, resulting in capital expenditure to increase capacity to enrol a further 450 students being approved, along with the development of a state-of-the-art science and technology centre.

Crawford International in Kenya has made an operating profit in its third year of operation with continued strong enrolment growth. The school will increase its capacity in line with ongoing demand.

Makini Schools in Kenya has returned to profitability following the significant losses incurred owing to COVID-19 disruptions in the previous year. The Cambridge International Curriculum is now being offered in addition to the national curriculum, owing to strong demand.

We continue to build scale in line with further enrolment growth of 10% in 2022 and this underscores the viability of our investments in the rest of Africa.

Please read more on our intellectual capital on page 37.

ACADEMIC RESULTS ACHIEVED – REST OF AFRICA

Outstanding academic delivery establishing ADvTECH's credentials

Gaborone International School
3.3 distinctions per candidate

32 students with **full house As**

67% of the final year students completing their A-Levels qualification at **Crawford International Kenya** accepted at international universities in the US, UK, Spain and Hong Kong

CAMBRIDGE INTERNATIONAL STUDENTS (IGCSE EXAMS)
3 distinctions per candidate

Tertiary/University division

WELL ESTABLISHED BRAND PORTFOLIO

Varsity College / MSA
- Degrees
- Postgrad to masters
- Face-to-face
- Online
- Blended
- Part-time
- 9 campuses

Rosebank College
- Higher certificates
- Diplomas
- Degrees
- Face-to-face
- Online
- Blended
- Part-time
- 9 campuses

Vega School
- Degrees
- Postgrad to doctoral
- Face-to-face
- Online
- Blended
- Part-time
- Short learning programme
- 4 campuses

Capsicum Culinary Studio / School of Hospitality & Service Management
- Vocational
- Higher certificates
- Diplomas
- Advanced diploma
- Degrees
- 8 campuses

Oxbridge Academy
- Vocational
- Higher certificates
- Diplomas
- Short learning programme
- Distance

MindSharp
- Short learning programme
- Online

Tertiary performed well and continues to grow on the back of a well established, quality brand portfolio that offers a comprehensive range of programmes and qualifications, from short training through to masters and doctorates. Our ability to provide all modes of delivery is fundamental to our value strategy and allows us to meet the requirements of every student at any time and at any location.

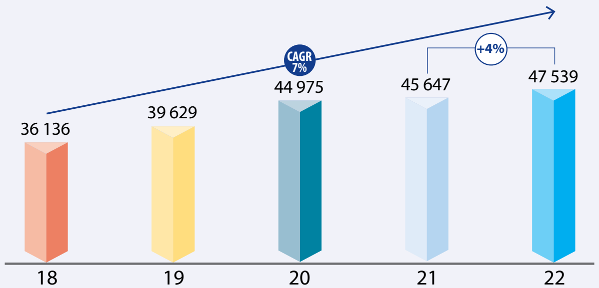
Revenue increased by 4% to R2.4 billion and operating profit increased by 13% to R609 million with operating margin improving from 23.0% to 25.0%. Face-to-face enrolments continued to grow, despite a severely disrupted enrolment and registration cycle due to the delay of the 2020 matric results. Enrolments for our online offering also grew. Tertiary fee increases were set below inflation.

Varsity College Cape Town moved to new premises in Newlands, to allow for capacity increases and to provide an improved student life experience in line with the brand promise and growing demand. In Gauteng, a building adjacent to the Rosebank College Pretoria CBD campus is being acquired to consolidate the Sunnyside campus and create additional capacity.

Read more about our property investments in the manufactured capital section on page 59.

Tertiary: Full qualification student enrolments

Continued growth due to the quality of our academic offering and multi-mode of delivery.



Resourcing division

The recovery in resourcing is gratifying after the severe impact of the pandemic. The division continues to increase its presence and placements, despite a tough South African environment. This, together with good cost controls, has allowed the South African business to return to profitability.

Revenue increased by 20% to R1 018 million and an operating profit of R39 million was achieved. The dual focus on permanent and contracting placements contributed to the sustainability of the business, both locally and in the rest of Africa.

Building Competitive Advantage

Our resolve to focus on what we believe will be sustainable, long-term competitive advantages, as set out in our strategic objectives, has been successful.

ADvTECH aims to become the dominant Pan-African education business and its solid base includes a clearly defined strategy with well-positioned brands, highly capable skill sets and an agile and flexible business.

The 2020 pandemic forced us to stress test the organisation and it proved we have the agility to respond quickly to change. In 2020, the successful move of 75 000 students to online education in three weeks without missing an academic day, was achieved by leveraging the strengths of our various divisions. We used our online capability and learning management systems from tertiary and applied those skill sets, knowledge, experience and technology to supplement the traditional face-to-face system in Schools division.

We have established a solid platform on which to build a sustainable competitive advantage. In the first development phase we improved structures, standardised systems and brand propositions.

The second phase was operational optimisation, focusing on performance management, setting benchmarks and targets. We introduced training and development programmes in pivotal areas, such as the Principles Development Programme (PDP) to ensure that key leaders at our educational institutions have the skill sets and understanding of value propositions in the brands.

Read more about our development programmes in the human capital section from pages 55 to 58.

We improved customer service and marketing as we communicated our value propositions, and we consolidated and standardised our financial processes.

To create a sustainable competitive advantage, it is important to move into the third phase. We are uniquely positioned to build a significant competitive advantage that will be harder to replicate and will allow us to differentiate ourselves in the market.

ADvTECH has three great strengths:

- **Firstly**, we are uniquely positioned to become the experts in teaching and learning across the continent.
- **Secondly**, we have created a platform in structure and processes that will enable us to leverage and embed technology for competitive advantage.
- **Thirdly**, we can leverage our scale to deliver value.

Teaching and Learning:

The benefit of having both schools and tertiary is that we can integrate these through our Central Academic Team, the IIE, which has a significant investment in intellectual property and highly qualified educators. New research and developments in tertiary can flow into our schools, making us unique. This includes world class curricula, teacher training and development, and research and development programmes.

PHASES OF DEVELOPMENT

Building a solid platform – on a journey to a sustainable competitive advantage

1st PHASE

Standardise

Revised and improved
- Structures
- Systems
- Brand portfolios and value proposition

- Brand resources
- Standardised systems
  - GSS – automated transactional finance
  - D365 – finance system
  - SIS - Student information system

2nd PHASE

Operational optimisation

- Benchmarking
- Targets
- Performance management

- Development programmes:
  - Principals development programme
  - Customer service
  - Marketing
  - Finance skills

3rd PHASE

Building a sustainable competitive advantage through leveraging unique competencies

- Teaching and learning
  - Research
  - Teacher training and development

- Embedding technology
  - Delivery of education
  - Assessment and reporting
  - Process
  - Data driven decision making
- Leveraging scale
  - Tertiary and schools
  - Transaction processing
  - Benchmarking for performance and quality

Structure and Processes

We have created a standardised systems platform with capability to work across the group, including areas such as student registration, debt collection and customer management. The next step is to integrate the technology into the teaching and learning process to give the best possible student experience.

The embedded technology will allow us to extract data to personalise the student experience and also enable predictive data-driven decisions to enhance the entire process. The database of more than 100 000 students, together with the use of interactive dashboards, will improve the experience of teachers and students and provide information on their progress to parents.

Read more about the SIS and academic integration in the manufactured capital section on page 59 and intellectual capital on page 37.

Leveraging our Scale

Affordability rather than demand is the issue in private education, the fee increase of which has been 2% to 3% above inflation in recent years. Therefore, in order to deliver real value to the consumer, we are concentrating on educational productivity by driving operational effectiveness and efficiencies, eliminating waste and duplication through our shared services, and maintaining strong cost control measures – a further competitive advantage.

Read more about GSS in the manufactured capital section on page 59.

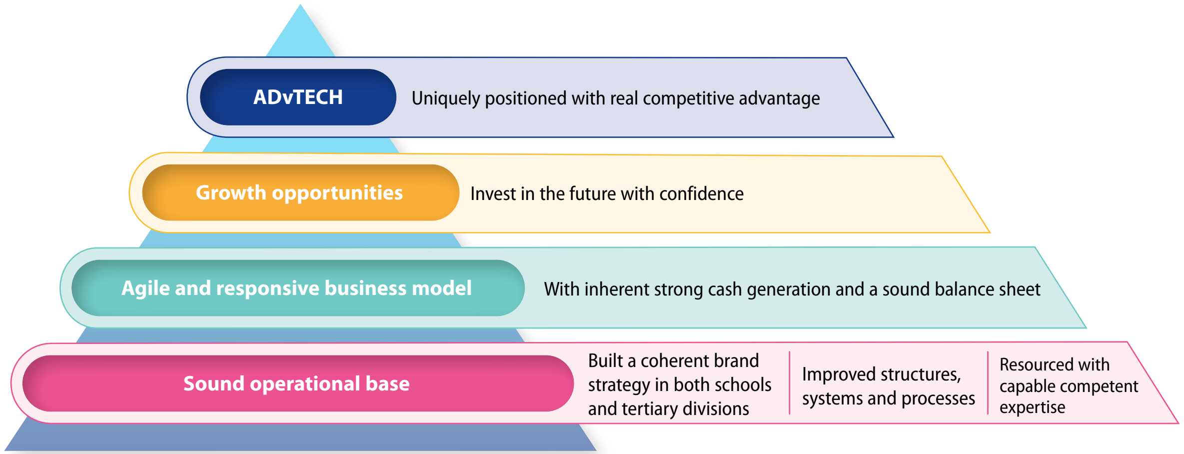
These advances will add value to our educational institutions on the continent in due course.

Prospects

Solid base forming a competitive advantage and the ability to leverage scale

Demand for quality education is ongoing. We have made good progress in strengthening our market position within our portfolio of brands in both the schools and tertiary divisions. This, combined with our focus on delivering real value in the provision of quality education, has enabled us to enjoy good growth in student enrolments over the past few years and we are determined to continue with this approach to optimise our performance in both South Africa and the rest of Africa.

INVESTMENT CASE



Our revised structures and improved systems have not only realised efficiency benefits but have enabled us to be agile and responsive in dealing with both unforeseen challenges and a difficult socio-economic environment.

The inherent strong cash generation of our business model has further strengthened our balance sheet and will enable us to invest with confidence in areas of opportunity.

We believe that the ADvTECH Group is uniquely positioned to leverage all these advantages to benefit from the continued growth in demand for education both in South Africa and the rest of Africa.

To ADvTECH employees and stakeholders, a very sincere word of thanks for your commitment, flexibility and willingness to go that extra mile.

Roy Douglas
Group CEO

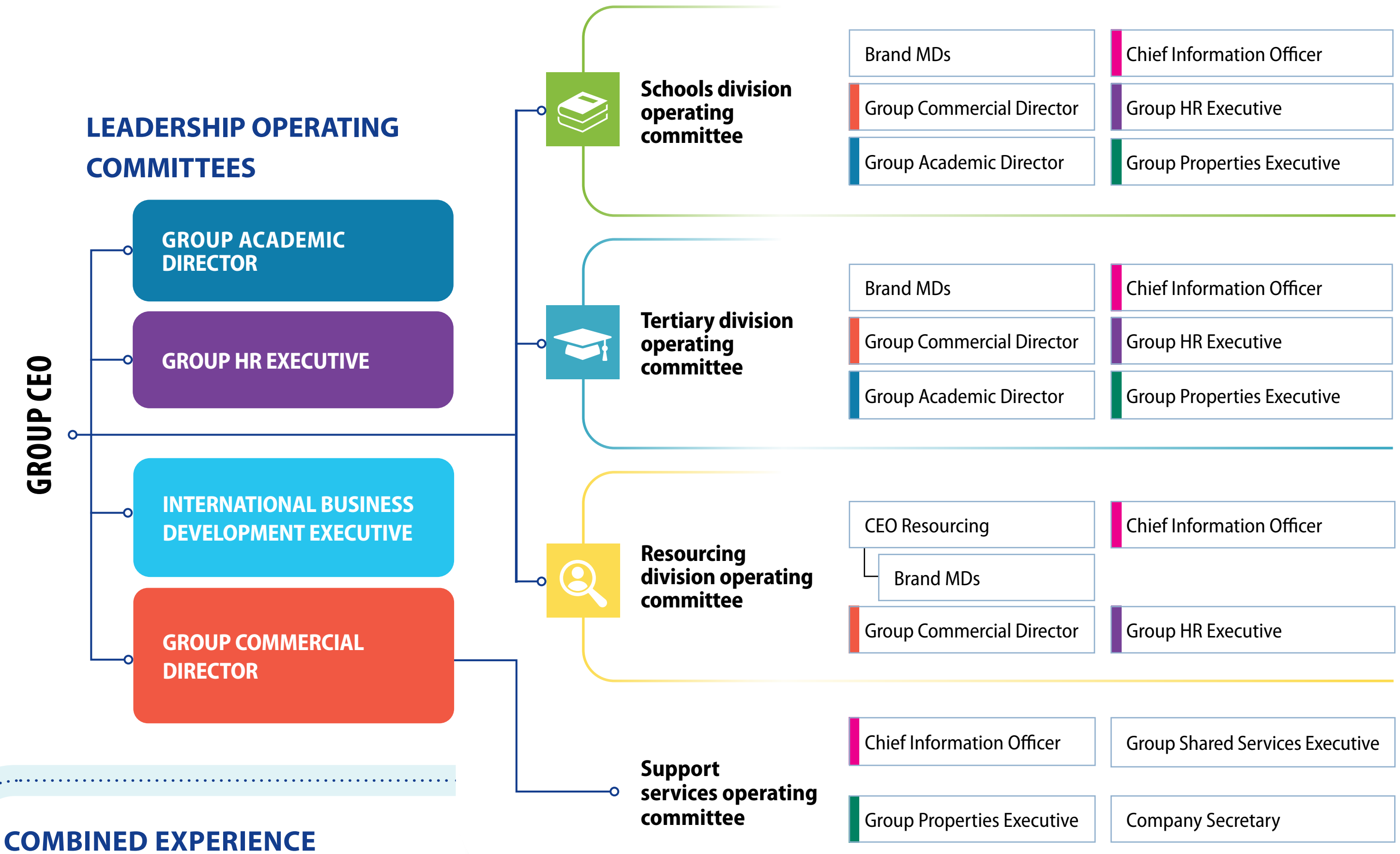
28 April 2022

LEADERSHIP STRUCTURES

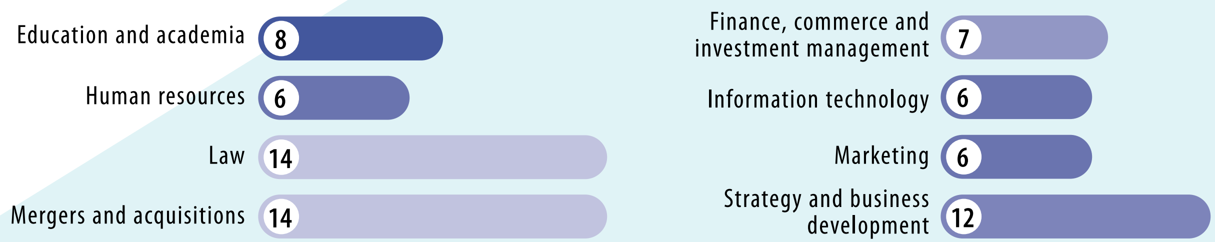
ADvTECH group's strategic leadership structure optimises decision-making and the implementation of strategic and operational initiatives. Each of the three divisions, schools, tertiary and resourcing as well as the centralised group support services, are governed by an operating committee and includes key decision makers and relevant stakeholders.

This ensures the efficient use of their skills and knowledge to directly influence and contribute to the success and development of the brands and the growth of the division, while group support services provide back office support and efficient transaction processing. Each operating committee benefits from executives with a broad range of experience and skills covering various disciplines. These committees consist of a total of 24 committee members and their combined experience is tabled alongside.

LEADERSHIP OPERATING COMMITTEES



COMBINED EXPERIENCE OF THE OPERATING COMMITTEES



OUR STRATEGY

OUR PURPOSE

To build and grow a highly capable organisation in education, training and placement to enrich people's lives and futures.

Academic excellence is at the very heart of our strategy and central to value creation. In executing our strategy we consider various elements including our stakeholders feedback, risks and opportunities and our material matters. We deploy our capital resources in an efficient manner that considers necessary capital trade offs. Our strategy is executed through our three business divisions: schools, tertiary and resourcing, all of which are underpinned by our purpose and values. Our strategic objectives are the building blocks upon which we focus.

Our environmental, social and governance (ESG) elements are embedded within our strategic objectives. Critical enablers (people, brands, systems, governance and capital management) ensure that our business is sustainable and can adapt in a dynamic operating environment robustly and resiliently, with substance and gravitas.

STRATEGIC PROCESS

MATERIAL MATTERS
Page 12.

RISKS AND OPPORTUNITIES
Pages 14 and 21.

CAPITAL RESOURCES
Pages 30 to 64.

Our stakeholders

- Students and parents
- Recruitment candidates and clients
- Employees/ independent contractors
- Investors, financiers and shareholders
- Community
- Regulatory bodies and government
- Alumni
- Media

Page 46.

STRATEGIC OBJECTIVES

ESG

- SO 1 Academic excellence
- SO 2 Growth
- SO 3 Customer focus
- SO 4 Educational productivity
- SO 5 Human capital productivity
- SO 6 Capital productivity
- SO 7 Excellence through specialisation

Page 29.

ESG

KEY ENABLERS

- People Pages 46 and 55.
- Brands Page 4.
- Systems Page 59.
- Governance and capital management

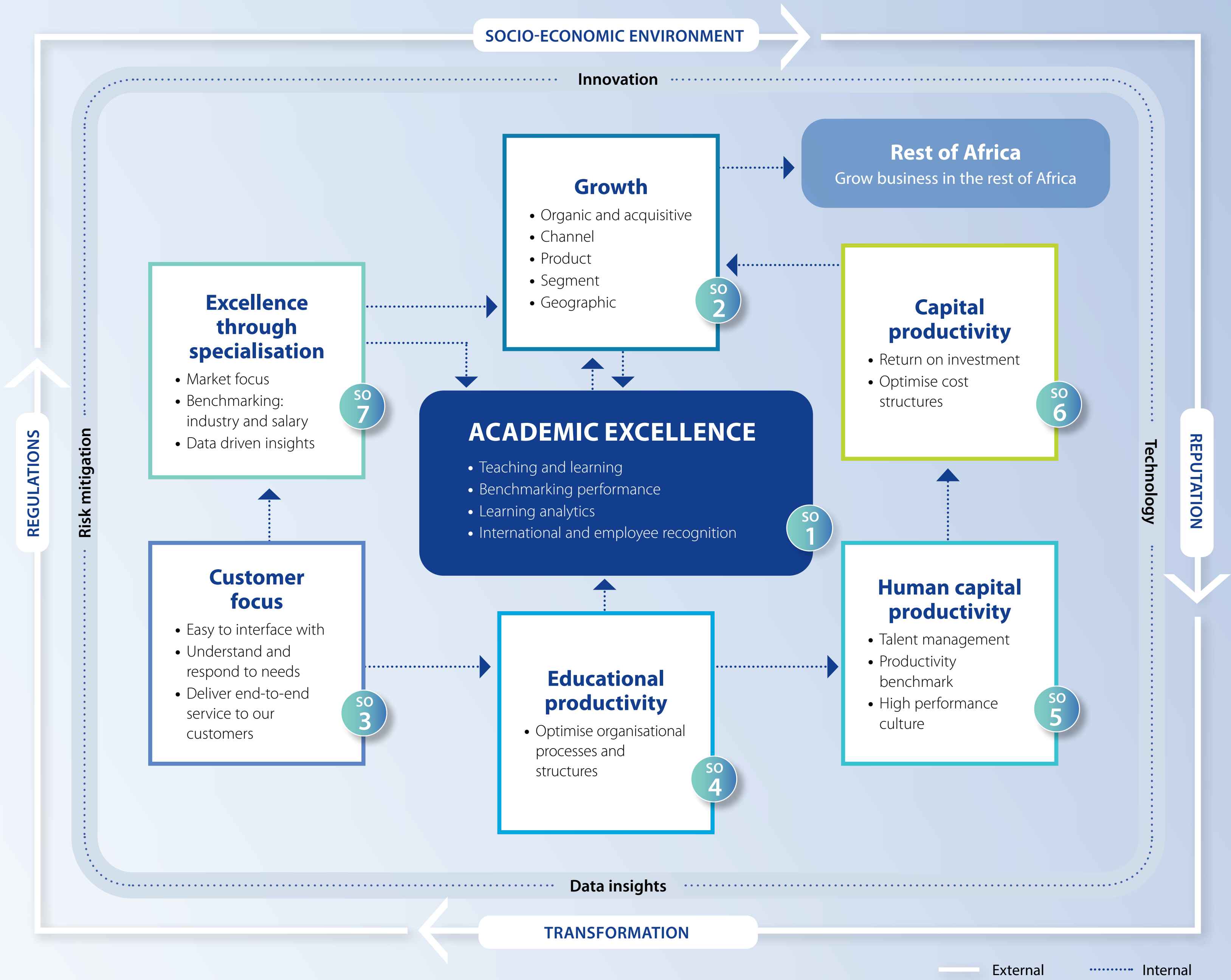
OUR VALUES

Ethics / People centredness / High quality / Sustainability / Caring and responsible leadership / Respect, diversity and inclusion

OUR STRATEGIC OBJECTIVES

Our strategic objectives, depicted alongside, are the building blocks upon which we focus to achieve the group's strategy. They are influenced by our internal (risks and opportunities as well as material matters) and external (regulation and socio-economic environment) operating environments as well as our key stakeholders. These objectives are core to guiding our business and require ongoing innovation and data insights to maintain our respected reputation. They also ensure that we differentiate ourselves in the academic marketplace to attract and retain customers.

- SO 1 Academic excellence
- SO 2 Growth
- SO 3 Customer focus
- SO 4 Educational productivity
- SO 5 Human capital productivity
- SO 6 Capital productivity
- SO 7 Excellence through specialisation



FINANCIAL CAPITAL

WHAT

WHAT IS OUR FINANCIAL CAPITAL?

Our financial capital includes cash, investments, debt and equity resources. We use a combination of these financial resources in our business operations to ensure financial sustainability.

WHY

WHY THIS CAPITAL IS IMPORTANT

We use cash generated by our business activities 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.

HOW

HOW THIS CAPITAL CREATES AND PRESERVES VALUE

Financial capital is used as part of our daily business operations to ensure we achieve the group's strategic objectives. When using our capital resources, we engage with stakeholders that will be impacted, consider our material matters and balance the capital trade-offs with other capitals that are impacted. This process culminates in value, creation and value preservation as depicted below.

Financial capital inputs and KPIs

Value outcomes

BORROWING COSTS WELL WITHIN COVENANTS

Page 32.

VALUE ADDED OF R4 919 million

(2020: R4 418.0)

Page 36.

HEALTHY LIQUIDITY MAINTAINED

Page 34.

SCHOOLS DIVISION REVENUE

↑6%

(2020: 4%)
to R2.5 billion
(2020: R2.3 billion)

Page 3.

TERTIARY DIVISION REVENUE

↑4%

(2020: 9%)
to R2.4 billion
(2020: R2.3 billion)

Page 3.

RESOURCING DIVISION REVENUE

↑20%

(2020: 15%)
to R1 018 million
(2020: R848 million)

Page 3.

Value created | Value preserved

OUTLOOK

- Maintain a strong balance sheet.
- Sustainable cost and capital expenditure containment.
- Continued streamlining of processes to drive further effectiveness and efficiencies.

Material matters considered

MM 2 MM 3
MM 5

Other capitals impacted

IC HC
MC SC

SDGs supported

8 DECENT WORK AND ECONOMIC GROWTH

Stakeholders impacted

Strategic objectives supported

SO 2 SO 3 SO 6

+ CLICK TO SEE ICON DESCRIPTIONS

GROUP COMMERCIAL DIRECTOR'S REPORT

Strong financial performance

The group delivered a strong financial performance, continuing the group's trend of delivering a consistent performance that reflects the quality of our assets and robustness of the business model.

All divisions delivered increased operating profits in 2021, with the education divisions benefiting from enrolment growth and the resourcing division seeing an improvement in the level of recruitment activity.

Didier Oesch

A particularly pleasing aspect of the ADvTECH group results was the significant improvement in the return on funds employed to 16.6% (2020: 13.9%). This demonstrates the value being created for shareholders from the investments the group has made since 2014 that has meaningfully increased the scale of the business and are now emerging from the J-curve and moving towards achieving their optimal returns.

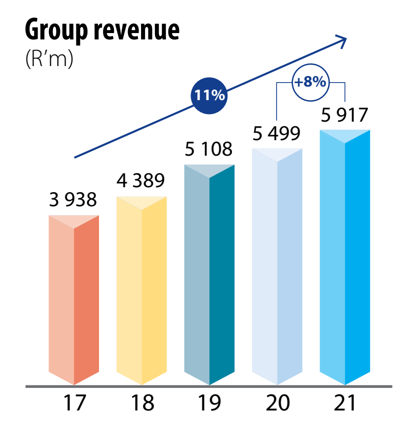
Also pleasing is the continued strong cash generating ability of the group with free operating cash flow before capex increasing by 32% to R1.1 billion (2020: R0.8 billion). This demonstrates the inherent cash generating capabilities of the group's business model. This has allowed the group to scale up the business significantly over the years, through strategic investments while also positioning us well to explore further expansion opportunities with confidence.

All our divisions continue to reap the rewards of these strategic investment decisions. During 2021, we enjoyed good enrolment growth and witnessed the continued benefits from our restructuring, rationalisation and cost saving initiatives. Going forward, while our focus will remain on maximising value from our existing assets, we will also resume investing in new greenfield developments.

Revenue

Group revenue grew by 8% to R5.9 billion (2020: R5.5 billion).

Schools South Africa revenue increased by 4% to R2.2 billion (2020: R2.1 billion) which is in line with enrolment growth of 4%. Their revenue growth was however tempered by the decision to forego a fee increase and to reposition the Abbotts College value offering at a lower price point. Encouragingly, enrolments continued to climb throughout the year and extramural and aftercare showed a recovery in the second half of the year.



Our schools in the rest of Africa saw a 36% increase in revenue to R268 million (2020: R196 million) with all our schools having experienced good enrolment growth. Makini in particular showed good revenue growth as teaching was allowed to resume together with the strong demand for the Cambridge International Curriculum that was introduced alongside the Kenyan national curriculum.

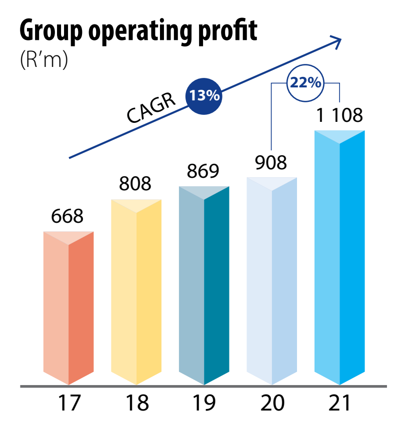
The tertiary division continued to grow enrolments increasing revenue by 4% to R2.4 billion (2020: R2.2 billion). This was achieved despite a severely disrupted enrolment and registration cycle due to the delayed release of matric results and having implemented below inflation fee increases. The majority of the enrolment growth was achieved in Rosebank College with the premium brands succeeding in maintaining enrolments under these trying circumstances.

Resourcing in South Africa revenue increased by 24% to R226 million (2020: R183 million) as market share gains were achieved in a still subdued employment market.

The strategic decision to expand resourcing into the rest of Africa continues to bear fruit as the business continued to build scale, increasing revenue by 19% to R792 million (2020: R664 million).

Operating profit before interest and non-trading items

Operating profit increased by 22% to R1 108 million (2020: R908 million) with group operating margins improving to 18.7% (2020: 16.5%) largely due to operating leverage resulting from enrolment growth, a significant improvement in collections and the continued focus on operating efficiency improvements.



Schools South Africa increased its operating profit by 10% to R413 million (2020: R376 million) with the operating margin improving from 17.8% to 18.9%. This was achieved due to restructuring efforts and initiatives that focused on eliminating wastage and duplication, which together with improved collections more than offsetting the impact of foregoing a fee increase.

All our schools in the rest of Africa made an operating profit with Gaborone International School continuing to perform well, Crawford International School coming out of the J-curve and Makini returning to profitability following the significant losses that they incurred due to COVID-19 disruptions in the prior year.

The tertiary division grew operating profit by 13% to R609 million (2020: R539 million) and improved its operating margin to 25.0% (2020: 23.0%) due to good cost controls and a lower level of credit losses on trade receivables.

The combined resourcing division achieved an operating profit of R39 million (2020: R3 million). This improvement was delivered as a result of increased placements in both the rest of Africa and South Africa, together with good cost controls in South Africa.

Non-trading items

The net amount of non-trading items of R12.2 million is made up as follows:

- Profit on disposal of property, plant and equipment of R11.7 million, the majority of which arose from the disposal of land and buildings that were surplus to requirements; and
- Corporate action income of R0.5 million relating to an adjustment to the purchase price of a prior year acquisition.

Profit for the year and normalised earnings per share

The lower average net borrowings, together with the lower interest rate, led to a decrease in financing costs. The taxation rate of 29.2% (2020: 31.0%) is in line with the group's long term average rate while the higher rate of the prior year included a greater amount of non-deductible non-trading items. Profit for the year increased by 46% with normalised earnings per share, which excludes non-trading items, increasing by 35% to 121.5 cents (2020: 90.2 cents) per share.

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 R562 million at year end (2020: R438 million) with the increase compared to last year mainly due to increased trade and other payables and fees received in advance and deposits.

The continued focus on improving our processes, through our GSS initiative, together with the more stringent credit management practices, has resulted in a significant improvement in collections. Gross trade receivables reduced to R565 million (2020: R609 million) with both Schools South Africa and Schools rest of Africa gross trade receivables having reduced by 40% compared to 31 December 2020, while Tertiary gross trade receivables increased by less than 1% compared to a 4% increase in revenue. This has resulted in credit losses for the year reducing to R117 million (R264 million). The credit loss allowance at year end amounted to R321 million (2020: R376 million) representing a 57% (2020: 62%) coverage of gross trade receivables.

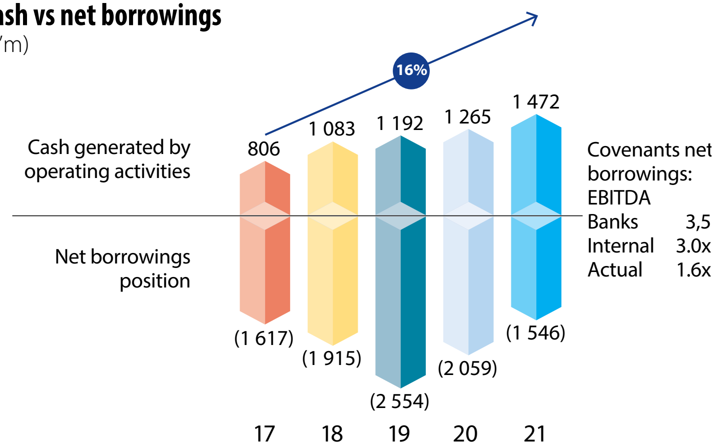
Trade receivables and credit loss allowance

R'm	% Increase (decrease)	Unaudited 31 December 2021	31 December 2020
Trade receivables	(7%)	**565**	609
Loss allowance	(15%)	**(321)**	(376)
		244	234
Coverage of debtors' balance		**57%**	62%
Credit losses	(56%)	**117**	264
Credit losses as % of revenue		**2%**	5%

Free operating cash flow before capex increased by 32% to R1.1 billion, resulting in the cash conversion representing 155% of profit for the year. Cash generated by operating activities increased by 21% to R1.6 billion (2020: R1.3 billion). This enabled the funding of investments and capital expenditure of R351 million, payment of financing costs of R158 million, dividends of R224 million, taxation of R309 million, repayment of lease liabilities of R94 million and the net settlement of debt amounting to R451 million. This, again, emphasises the inherent cash generating ability of our business.

Cash vs net borrowings

(R'm)



Ratio = net borrowing to cash generation	2.0	1.8	2.1	1.6	1.1

Investments

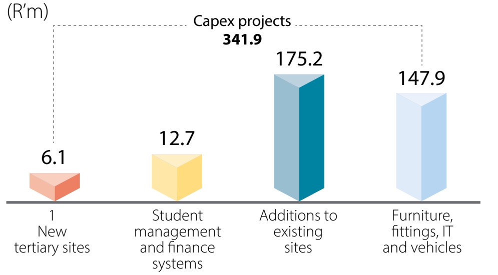
Total capital expenditure for the year amounted to R347 million and was focused on the following:

- increasing site capacity to meet demand;
- acquiring equipment to enhance our delivery of online and hybrid tuition; and
- enhancing our business systems to enable the standardisation of processes across the group and to allow for further efficiency improvements.

In addition, R8 million was spent to increase our share in Oxbridge and a further 4% of Schole Mauritius Limited was acquired through the capitalisation of loan accounts. Land and buildings that were surplus to our requirements were disposed of for proceeds of R35 million.

CAPEX AND ACQUISITIONS

(R'm)



Building related capital expenditure was incurred to develop existing sites further with no new sites being developed in the year. This is more efficient capital expenditure and, at a relatively low cost, capacity of the schools division was increased by 7% to be able to accommodate 44 500 students. Capacity utilisation has improved to 82% (2020: 79%) in 2021 and then improved further to 83% in 2022 due to the 9% increase in enrolments. Capacity on existing sites can be increased to accommodate a further 12 300 students. Plans are in place to roll out the development of this capacity over approximately eight to ten years.

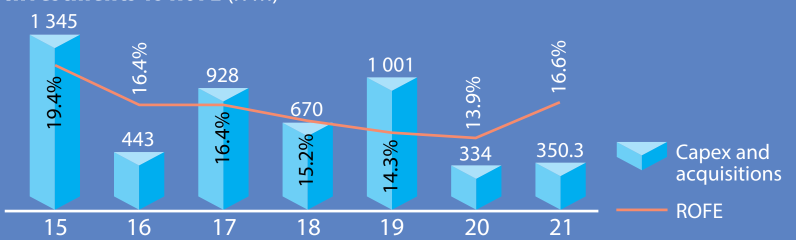
In 2022, the capital expenditure programme will focus on adding capacity to existing sites that will enhance the returns on these investments together with the resumption of greenfield developments. Major projects for the year ahead are the acquisition and fit-out of the building adjacent to Rosebank College Pretoria in order to create a mega campus, the expansion of Varsity College's Pretoria campus, the development of a state-of-the art science and technology centre that will add capacity for 450 students at Gaborone International School and the development of a school in Raslouw for our Pinnacle brand.

Return on funds employed (ROFE)

In the five-year period from the beginning of 2015 to the end of 2019, the group invested R4.4 billion in capital expenditure and acquisitions that has significantly increased the scale of the business. This, together with the inclusion of right-of-use assets, resulted in the average net assets in a year increasing from R1.2 billion in 2014 to R6.1 billion in 2019, a compound annual growth rate of 38%. Over the same period, operating profit grew from R256 million in 2014 to R869 million in 2019, a compound annual growth rate of 28%. While this represents a significant increase, the lag in operating profit relative to the increase in net assets is due to the J-curve effect with projects taking several years before achieving their optimal returns. This led to the ROFE decreasing during this period of significant investment.

With these investments now moving out of the J-curve and towards their optimal returns, together with the lower level of investment in the last two years, ROFE is now showing a meaningful improvement, a trend that is expected to continue in the coming years. Average net assets in the year amounted to R6.7 billion (2020: R6.5 billion) and with operating profit in 2021 amounting to R1 108 million (2020: R908 million), ROFE increased significantly from 13.9% in 2020 to 16.6% in 2021.

Investments vs ROFE (R'm)



Capital structure

The group has funding facilities in place totalling R2.25 billion, consisting of fixed-term loans amounting to R1.2 billion, a revolving credit facility of R950 million and an overdraft facility of R100 million. Secured term loan B amounting to R600 million is due for repayment in September 2022. Due to the significant fees received in advance in the first quarter of 2022, notice has been given to settle this loan on 31 March 2022. Simultaneously, the revolving credit facility will be increased to R1.3 billion following which the revised facilities available will amount to R2.05 billion. The make-up of these facilities allows the group to fund its long-term needs while maximising the benefits of its seasonal cash flows. These facilities are expected to provide sufficient funding for the rollout of the planned investment programme while still allowing for headroom against the covenants.

Net borrowings, excluding lease liabilities, decreased to R1.5 billion (2020: R2.1 billion) at year-end due to strong cash generation during the year and the lower capital expenditure incurred. The group remains well within its covenants at year-end, with net borrowings (including lease liabilities) equating to approximately 1.6 times (2020: 2.1 times) EBITDA, while gearing decreased to 52% (2020: 68%).

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 that may become available.

Dividends consideration

Following a period of significant investment, the group is now benefiting from these investment returns. The growth trend and good cash generation is expected to continue, which together with a sound balance sheet and significantly reduced net borrowings, has given the board confidence to re-instate the payment of dividends at a similar cover ratio as was in place prior to the economic disruption caused by the COVID-19 pandemic.

The group declared a final dividend of 31.0 cents (2020: 20.0 cents) per ordinary share in respect of the year ended 31 December 2021, which together with the interim dividend of 19.0 cents (2020: nil) brings the total dividend for the year under review to 50.0 cents (2020: 20.0 cents) per share. The dividend cover ratio is 2.4 times (2020: 4.5 times) relative to normalised earnings.

While the board considers the needs of the group and the investment opportunities available to it in deciding of the level of dividend pay-outs, it is their intention to maintain a dividend cover ratio of between 2.2 and 2.5 times relative to normalised earnings.

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, the benefits of which are now becoming apparent.

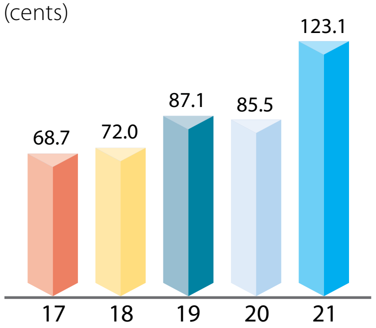
I would also like to thank the financial staff across all our divisions groupwide, not only for their commitment to accurate and relevant financial reporting, but also their continued focus on our process and efficiency improvement initiatives. The strength of the team and robustness of our systems allowed for the smooth operating of the financial function throughout the year. Your diligence and commitment are critical to our ability to provide quality information that informs the decision-making of management, the board and our stakeholders.

Didier Oesch
Group Commercial Director

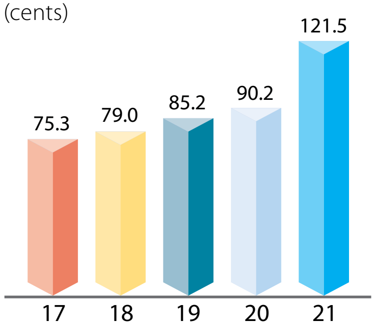
28 April 2022

RATIOS AND STATISTICS

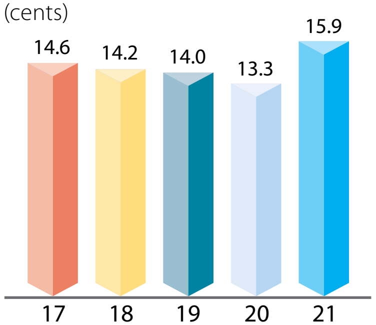
Earnings per share
(cents)



Normalised earnings per share
(cents)



Normalised earnings on average shareholders' funds
(cents)



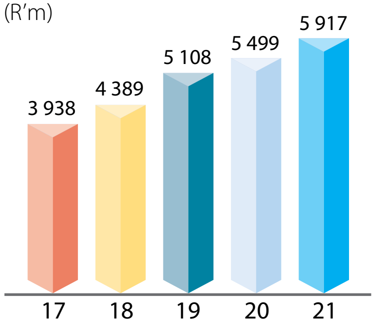
	2021 R'm	Restated* 2020 R'm	2019 R'm	Restated* 2018 R'm	Restated* 2017 R'm
Earnings and distribution					
Earnings per share (cents)	**123.1**	85.5	87.1	72.0	68.7
Headline earnings per share (cents)	**121.6**	91.6	86.0	71.4	68.8
Normalised earnings per share (cents)	**121.5**	90.2	85.2	79.0	75.3
Distributions to shareholders per share (cents)	**50.0**	20.0	15.0	30.0	34.0
Profitability					
EBITDA on revenue (%)	**24.0**	22.8	23.0	24.7	20.9
EBIT (before non-trading items) on revenue (%)	**18.7**	16.5	17.0	18.4	17.0
Operating profit on average shareholders' funds (%)	**27.1**	24.1	27.0	25.8	23.2
Normalised earnings on average shareholders' funds (%)	**15.9**	13.3	14.0	14.2	14.6
Return on funds employed (%)#	**16.6**	13.9	14.3	15.8	16.4
Productivity					
Revenue per average fixed assets (Rand)	**1.2**	1.1	1.1	1.2	1.2
Revenue per employee (R'000)	**752.3**	700.3	648.6	581.4	584.0
Revenue per square metre (Rand)	**9 291.2**	8 893.2	8 334.7	8 160.5	7 624.9
Finance					
Current assets to current liabilities	**0.3**	0.3	0.3	0.4	0.3
Operating cash flow per share (cents)	**162.0**	162.2	82.9	77.9	72.4
Capital expenditure – excluding acquisitions (R'millions)	**346.8**	308.4	704.6	568.9	712.6
Capital expenditure – acquisitions (R'millions)	**8.4**	21.0	320.0	114.9	215.6
Free operating cash flow before capex per share (cents)	**194.7**	148.1	106.4	105.1	109.8
Net asset value per share (cents)	**795.1**	700.9	623.2	571.5	519.7
Debtors days as at 31 December	**18.1**	17.9	23.3	21.8	26.7
Net gearing ratio (%)	**52.3**	67.9	88.9	78.5	75.0
Other					
Total shares in issue (millions)	**554.5**	551.8	548.8	546.6	544.4
Weighted average number of shares in issue (millions)*	**540.1**	539.4	539.0	535.9	534.2
Diluted weighted average number of shares in issue (millions)*	**545.9**	540.6	539.0	536.1	535.2
Employee headcount at year-end	**7 866**	7 853	7 876	7 549	6 743
Total capacity occupied ('000 m^2)	**636.9**	618.4	612.9	537.8	516.4

* *Refer to the consolidated statement of comprehensive income and note 40 for details on the 2020 restatement. The 2018 year is restated due to the adoption of IFRS 16 and the 2017 year is restated due to the adoption of IFRS 15.*

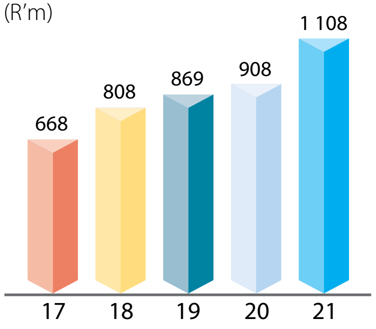
\# *The return of funds employed is calculated by dividing the normalised EBIT by the average funds employed for the year. The funds employed for each year is calculated by taking total assets for the year less cash balances and all non-interest bearing liabilities.*

FIVE YEAR FINANCIAL REVIEW

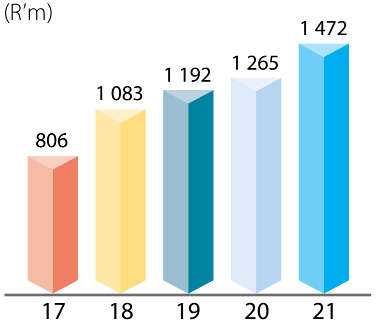
Group revenue
(R'm)



Operating profit
(R'm)



Cash generated from operations
(R'm)



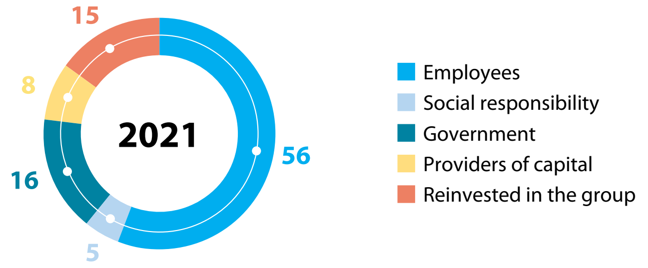
	2021 R'm	Restated* 2020 R'm	2019 R'm	Restated* 2018 R'm	Restated* 2017 R'm
Summarised statements of comprehensive income					
Revenue (including bursaries and discount allowed)	**5 917.2**	5 499.2	5 108.0	4 389.0	3 937.7
Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA)	**1 422.8**	1 254.5	1 173.6	1 083.8	823.3
Depreciation and amortisation	**314.5**	346.4	304.5	275.6	155.3
Operating profit before interest and non-trading items	**1 108.3**	908.1	869.1	808.2	668.0
Non-trading income/(expenses)	**12.2**	(28.8)	13.5	(39.5)	(31.1)
Net finance costs paid	**(161.4)**	(204.8)	(221.8)	(192.0)	(99.1)
Profit before taxation	**959.1**	674.5	660.8	576.7	537.8
Taxation	**279.7**	209.0	192.5	180.6	160.1
Total comprehensive income for the year	**679.4**	465.5	468.3	396.1	377.7
Attributable to minority interest	**14.5**	4.4	(1.1)	10.1	10.7
Profit attributable to equity holders of the parent	**664.9**	461.1	469.4	386.0	367.0
Headline earnings	**656.5**	494.1	463.7	382.9	367.5
Normalised earnings	**656.0**	486.3	459.2	423.4	402.5
Summarised statements of financial position					
Shareholders' equity	**4 409.1**	3 867.8	3 420.3	3 123.7	2 829.3
Interest bearing debt	**1 791.4**	2 241.2	2 725.3	2 144.1	1 727.0
Lease liabilities	**757.7**	565.0	485.5	537.8	505.8
Other non-current liabilities	**48.3**	50.1	74.4	72.9	49.0
Deferred taxation liability	**152.1**	152.6	170.9	114.2	101.4
Other current liabilities	**908.4**	764.0	767.6	733.1	770.0
	8 067.0	7 640.7	7 644.0	6 725.8	5 982.5
Non-current assets	**7 446.1**	7 129.6	7 041.1	6 154.4	5 543.9
Bank balances and cash	**245.0**	181.7	170.5	228.9	109.9
Other current assets	**375.9**	329.4	432.4	342.5	328.7
	8 067.0	7 640.7	7 644.0	6 725.8	5 982.5
Summarised cash flows					
Cash generated by operating activities	**1 471.9**	1 264.5	1 192.1	1 083.1	805.7
Net cash inflow from operating activities	**898.4**	895.1	454.8	425.6	394.1
Net cash outflow from investing activities	**(302.9)**	(273.8)	(998.6)	(657.5)	(913.8)
Net cash (outflow)/inflow from financing activities	**(542.2)**	(566.9)	489.9	512.4	312.7
Net increase/(decrease) in cash and cash equivalents	**53.3**	54.4	(53.9)	280.5	(207.0)

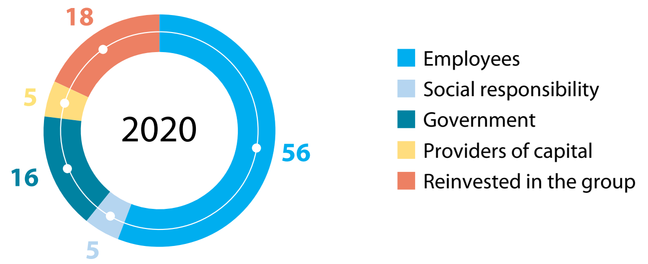
** Refer to the consolidated statement of comprehensive income and note 40 for details on the 2020 restatement. The 2018 year is restated due to the adoption of IFRS 16 and the 2017 is restated due to the adoption of IFRS 15.*

VALUE ADDED STATEMENT

	2021 R'm	2020 R'm
Value added		
Revenue (net of bursaries and discounts)	**5 917.2**	5 499.2
Bursaries and discounts	**223.4**	223.1
Interest received	**7.7**	2.3
Cost of providing services	**(1 229.4)**	(1 306.6)
Value distribution	**4 918.9**	4 418.0
Employees		
Net benefits paid to employees	**2 774.7**	2 492.1
Social responsibility		
Corporate social investment and bursaries	**223.4**	223.1
Government	**775.3**	693.9
Government taxes	**280.7**	210.8
Net VAT paid	**74.2**	70.2
PAYE	**420.4**	412.9
Providers of capital	**393.0**	210.9
Finance costs	**169.1**	207.1
Distributions to shareholders	**223.9**	3.8
Reinvested in the group		
Retained to sustain and grow the group	**752.5**	798.0
	4 918.9	4 418.0

Value distribution
(%)





INTELLECTUAL CAPITAL

ACADEMIC EXCELLENCE AND ACADEMIC GOVERNANCE AT OUR CORE

WHAT

WHAT IS OUR INTELLECTUAL CAPITAL?

Offering our students and their families value for money and a superior academic product is at the heart of our intellectual capital. Focus areas include deployment of appropriate and effective technology, student-focused methodologies, data driven insights, sector leading policies and processes, curricula, excellent corporate governance and quality qualifications. Our systems, processes and employee development all focus on delivering value and successful outcomes. This is measured by school progression and completion and graduation and employability at the tertiary level.

ADvTECH's intellectual capital is reinforced by:

- Exceptional teaching and learning
- Data driven decision-making
- Local and international accreditation

WHY

WHY THIS CAPITAL IS IMPORTANT

As an education provider, ADvTECH's intellectual capital, particularly as manifested through academic excellence, is what enables the delivery of our strategy. Structural and operational support, at brand and site level as well as centrally in both the schooling and post schooling divisions, enables effective and efficient development and refinement of the intellectual capital capability of the group. Cooperation between divisions is a differentiator that supports data driven and research led improvements. All of this is supported by a sector leading, robust policy and academic governance framework incorporating rules, policies, practices and processes. The Central Academic Teams (CAT) are accountable for quality assurance and ensuring the efficient and effective delivery of the group's academic offerings.

HOW

HOW THIS CAPITAL CREATES AND PRESERVES VALUE

As we have systems that allow us to quickly embed our intellectual capital at new sites and in programmes, we are able to shorten development cycles and improve the outcomes of all initiatives. By focusing on the core values of graduating work-ready citizens in the tertiary division and ensuring that every student in our schools develops incrementally in an engaging, inspiring, and challenging learning environment that is globally benchmarked, we preserve value. By balancing the objectives of being able to monitor and assure quality while not limiting the application of individual professional competencies on the part of our academics, we create value as insights uncovered can be deployed for wider use. We invest substantially in the ongoing development of our academic employees, and we also contribute to the broader body of knowledge through the publication of our research. When using our capital resources, we engage with key stakeholders, and balance capital trade-offs. This process culminates in value creation and preservation as depicted below.

Intellectual capital inputs and KPIs

Value outcomes

- Research into best practice
- Employee development
- Student support Pages 46 to 54.
- Strategic use of data to make evidence-based decisions
- Local and international programme accreditations

Value created | Value preserved

Material matters considered
MM 1 MM 2 MM 4

Other capitals impacted
FC HC IC

SDGs supported
4 QUALITY EDUCATION

Stakeholders impacted

Strategic objectives supported
SO 1 SO 3 SO 6

CLICK TO SEE ICON DESCRIPTIONS

OUTLOOK

- Off this base the group is well positioned, having deliberately leveraged the learning from a massive educational technology shift in 2020 due to the lockdowns, to continue to leverage its systems, processes and intellectual capital to embed leading practise academically.
- An increased focus on formalised research, particularly in the tertiary division, on the quality and substance of our academic model, will enable us to contribute more formally to knowledge management in the sector broadly.

HOW WE MANAGE INTELLECTUAL CAPITAL, ACADEMIC EXCELLENCE AND ACADEMIC GOVERNANCE TO SUSTAIN OUR BUSINESS

By centring academic excellence in the strategy for both the schools and tertiary divisions, ADvTECH has a differentiated market ability to measure and improve the quality of decisions that impact on our ability to grow our market share, despite the increase of new entrants into the private education sector.

Brand differentiation and central academic leadership

ADvTECH, through its multi-brand strategy, is committed to brand differentiation to meet specific market needs. This differentiated strategy leverages scale opportunities provided by the shared base of principles, processes and systems resourced through the dedicated CAT, which supports both divisions' synergies and efficiencies. This team of specialists, supported by experts in each brand, leads and supports teaching and learning across the divisions. Common policies, standards and quality assurance systems enable quick and effective data-driven comparisons, which allow for immediate and focused support.

The IIE's academic work for the tertiary sector is coordinated by our CAT, which has extensive higher education experience and a track record of supporting its qualifications and brands. The post schooling CAT is now represented by more than 100 academic post schooling professionals, including academics, instructional designers, professional editors, content developers, programme managers, operations coordinators and an accreditation and quality assurance department. They support about 2 000 professionals on the campuses and in the distance education units.

In the schooling division, increased attention to coordinated and principle driven policy, ensures ongoing improvement of common standards without undermining differentiation. The schools' CAT coordinates brand collaboration in the consultation and development process of these standards and policies.

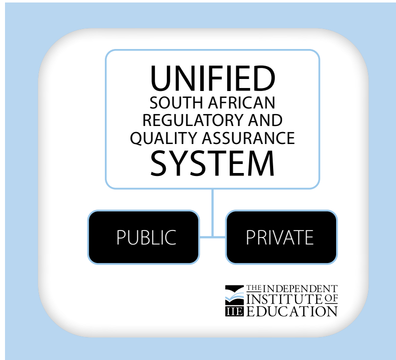
Governance and oversight

The CAT oversees the IIE's maintenance of the required standards for registration and accreditation at post school level and is responsible for assuring the academic quality on all campuses and managing curricula, assessments and certifications. A formal governance structure, which includes a senate, a teaching and learning committee, research and postgraduate studies and faculty boards, oversees the development and implementation of academic policies. This enables the exceptional quality learning experiences on campus and online. The quality assurance system includes peer reviews of lecturers and tutors, programme reviews involving academics and industry leaders, and a range of student success and graduate tracking projects. The use of data and fact-based evaluations are core to our objectives.

Accreditation at post school level

Local accreditation

The IIE offers higher education qualifications from higher certificate to PhD level. All qualifications are accredited by the Higher Education Quality Committee (HEQC) of the Council on Higher Education (CHE), registered on the National Qualifications Framework (NQF) by the South African Qualifications Authority (SAQA) and registered by the Department of Higher Education and Training (DHET).



International accreditation (British Accreditation Council)

The IIE is accredited by the internationally recognised quality assurance agency, the BAC, and is the first South African private higher education provider to be recognised by this body. The BAC is an independent authority in the UK that also accredits private providers in other countries including Greece, Switzerland, Singapore, India, Mauritius and the United Arab Emirates. The continued BAC accreditation represents an objective confirmation of the world-class standards our institutions have attained.

Trade and occupational qualification accreditations

Other post school qualifications, particularly those offered at Capsicum Culinary School and Oxbridge Academy, enjoy accreditation either directly from the Quality Council of Trades and Occupations (QCTO) or from one or more Services Sector Education and Training Authority (SETAs). Several brands and qualifications enjoy endorsement from various international professional associations.

INTELLECTUAL CAPITAL CONTINUED

The COVID-19 operating environment

Our ability to proactively adjust during the pandemic led to previously developed technology being embedded in all programmes, resulting in technology being leveraged more effectively and our teaching and learning experience developing into an integrated tool. This has made it easier to collaborate and enhance the teaching and learning experience. It also allows us ongoing resilience to respond rapidly to any future challenges that may arise by not being physically bound to campus or classroom sites. It enables us to share competencies across all brands while growing collaboration between students, teachers, lecturers and peers.

Social and emotional support has been highlighted as an area requiring additional resources since COVID-19. We have supported our students and employees by engaging the necessary counsellors and psychologists. We also implemented various professional development opportunities for teachers and lecturers through a variety of digital platforms. These practices remain an important imperative in 2022.

The Independent Institute of Education (IIE)

The IIE is South Africa's leading 'private university' with a track record of academic leadership following the initial integration of the separate institutions in 2005. It benchmarks against the highest local and international standards. While each ADvTECH brand has its own focus, the success of the IIE, and the rest of the tertiary division, can be attributed to its commitment to launching and developing students' careers.

The IIE presents its 134 accredited qualifications to the market through the core brands of IIE Varsity College, IIE Vega, IIE Rosebank College and IIEMSA. Recently the School of Hospitality and Service Management has been created to focus attention on this area of offering at higher education level. The IIE has the only DHET accredited and peer reviewed academic journal managed by a private higher education institution in South Africa. *The Independent Journal of Teaching and Learning* is in its 15th year of publication, with two editions annually available on open access platforms.

1. In terms of the Higher Education Act, registered and accredited private higher education institutions are currently not legally allowed to call themselves universities. This even though the country has a unitary quality assurance system, which requires private institutions to fulfil the same criteria as public institutions. Despite this hurdle, IIE brands are increasingly becoming the first choice for prospective students, due to their reputation of providing a stable environment and producing high-quality graduates who are sought-after by industry. A favourable December 2019 ruling by South Africa's Constitutional Court relating to IIE Varsity College's LLB degree has significantly boosted ADvTECH's aim of being unambiguously recognised as a private university.

The IIE and ADvTECH's purpose | The IIE is accredited by the British Accredited Council (BAC)

Strategic objectives +
- Compliance to regulatory environment and licence to operate
- Raising of quality and innovation
- Leadership position in education
- Super endorsement
- Branded house – master brand and strategic brand marketing

Key differentiators =
- South Africa's largest and most accredited private higher education institution
- Industry-relevant curricula based on established industry and academic partnerships that are verified through regular programme reviews and graduate tracking studies
- Innovative and supportive teaching methodologies
- Learning opportunities that meet the diverse needs of our students
- Structured programmes on all campuses linking students to the modern world of work

The Independent Institute of Education
- IIE Vega School
- IIE Varsity College
- IIE Rosebank College
- IIE MSA
- IIE School of Hospitality & Service Management

Supporting ADvTECH's purpose of building and growing a high-quality organisation in education to enrich people's lives and futures

Values: Respect / Development / Sustainability / Continual improvement / Responsiveness / Innovation

IIE Faculties

7 IIE Faculties

134 (2020: 137) accredited courses / qualifications from undergraduate programmes to a recently accredited international first, a PhD in Brand Leadership

Education	Commerce	Information and Communications Technology	Law	Humanities and Social Sciences	Engineering, Science and Health	Finance and Accounting

Agile delivery of education through our students' preferred mode of delivery

	IN PERSON			DISTANCE ONLY		
	CONTACT/FACE-TO-FACE	BLENDED	HYBRID	DISTANCE	ONLINE	PACK AND POST/ONLINE
Where the teaching takes place	Students on site attend class with educator	Classroom supplemented by online	Classroom or online simultaneously – student chooses (normally due to self isolation)	No physical class attendance	Interactive online only engagement – not paper behind glass, no static PDF	Materials delivered to student via post or online portal
How students are taught	They are taught face-to-face in a room with the educator and peers. Synchronous learning – classes are in real time	Combination of face-to-face and online material presented on platforms like Blackboard (Learn) and MS Teams. Online is supportive and complementary and supplementary to the face-to-face. Synchronous learning – classes are in real time	Combination of online material with traditional teaching strategies (face-to-face) happening in a class with some students, while being broadcast to students not in the class. Synchronous learning – classes are in real time	Students are either engaged through technology or have their learning material sent to them.	Online engagement between the educator and peers using technology. Sometimes includes synchronous (same time) lecturing but often asynchronous (student can engage when it suits them).	Pre-prepared study material. Supplemented with digitally mediated support and engagement.
Where ADvTECH uses this approach	Schools and tertiary	Schools and tertiary	Schools and tertiary since the start of pandemic	Schools and tertiary	Schools and tertiary	Oxbridge Academy

IIE Learn – Leveraging learning management

The Learning Management System (LMS) supports the IIE's qualifications, modules, and student learning journey. Standardised module structures ensure teaching and learning strategy principles are attained and maintained. A dedicated team of instructional designers and content developers collaborate with heads of programmes to deliver content. Lecturers are trained to use LMS content to drive active learning and student engagement and are provided with relevant support to carry out their responsibilities. The IIE LMS is a deliberate and strategic incorporation of links to the industry and activities that promote active learning and student engagement.

Our progressive model and approach to traditional teaching and learning positioned us well to manage the COVID-19 crisis. We had been using the IIE Learn LMS platform prior to the pandemic, and it was already an integral part of our teaching and learning model. This positioned the IIE to quickly move towards non-contact online facilitated learning maintaining academic integrity and quality teaching and learning for students.

Throughput rates[1]

We intensified our focus in the tertiary team on improving student success and throughput rates. Modular success must be accompanied by students remaining with the institution through to graduation. We maintained our general level of student performance due to our existing support structures and measures in place.

Academic governance and curriculum at schools

School leaving examinations

In South Africa, all ADvTECH schools, other than Greenwood Bay College, are moving towards students completing the Independent Examinations Board (IEB) Grade 12 examinations, with the last schools coming on board writing their first IEB examinations in 2023.

All our schools in the rest of Africa as well as Greenwood Bay in South Africa, offer the Cambridge International Assessments. Cambridge's International General Certificate of Secondary Education (IGCSE), is externally set and marked, with certificated examinations from the University of Cambridge.

In addition to the Cambridge International Assessments, the national Kenyan Certificate of Secondary Education (KCSE) continues to be offered at Makini schools. The local Botswana Primary School Leaving Examination (PSLE) is offered at Gaborone International School.

International Baccalaureate (IB)

The IB is a global organisation with its head office located in The Hague, Netherlands. In 2019, ADvTECH's Crawford International South Africa was the first group globally to simultaneously complete the IB authorisation process, with seven of their preparatory schools becoming IB World Schools. Crawford International Ruimsig was authorised as the eighth school in 2021. Crawford International preparatory schools are authorised to offer the IB Primary Years Programme (PYP). This authorisation process is an intensive and mandated procedure, required by all schools across the globe that aspire to be recognised as IB World Schools. The teaching and learning strategies of the IB are being drawn into the high school programmes in this brand, but the school leaving examinations remain with the IEB.

Please read more on the IB programme in a case sutdy on page 44.

1 *We use the term throughput to describe the graduation rates, the percentage of students who registered for, and then completed, the qualification.*

Progress in 2021

ACADEMIC EXCELLENCE WITHIN THE SCHOOLS' DIVISION

The academic strategy of the ADvTECH's schools division is to ensure that each student progresses incrementally towards mastery in a learning environment that is flexible, inspiring, engaging and challenging.

In 2021, we redefined the workstreams aligned to the CAT strategy to focus on:

- **A** Academic excellence and student success
- **B** Global citizenship incorporating the values of RDI and global competencies
- **C** The EdTech framework to foreground the implementation of the various digital literacy elements

This excellence-based strategy has both a collective and individual commitment to the progress of each student, class, school and brand. It keeps the focus on both the individual student as well as the learning environment.

The CAT's updated strategy has enhanced our support and strategic initiatives across the schools to ensure that we are better able to drive quality assurance, benchmarking and improvement in teaching and learning alongside professional development. The appointment of brand academic managers, together with the appointment of phase specialists in the CAT, has enabled better collaboration to implement and support this strategy at school level.

These central resources have focused on providing leadership in each of the crucial phases and on specific group strategies and initiatives (see below).

- **Academic target tracking**
- **Review and audit of instruction and academic delivery**
- **EdTech strategy review and support plans**
- **Makini focused support project**
- **Campus visits for building relationships and support in CAT workstreams**
- **Road to Matric mentorship for teachers**
- **Global citizenship: RDI and global competencies**
- **Pre-primary initiatives and improvement project** See case study on page 44.
- **Teacher performance measurement and professional success tool**

Schools

2021 focus areas	2021 progress update
Academic excellence and student success	Target setting for academic excellence. / Additional social and emotional support. / Road to Matric process on track to ensure that schools writing matric through the IEB for the first time are well prepared. / Strengthening pre-school learning environment (see case study).
Business intelligence	The business intelligence capacity of the new student system is being enhanced with the power business intelligence tools already in use in the tertiary division to provide actionable data for schools and management alike. Data driven instruction training will remain a focus into 2022 to ensure the business intelligence tools available are utilised effectively to enhance student performance.
Audit and review of the EdTech offering across schools, with support to ensure uptake	EdTech overview to align the offering has been completed. / EdTech opportunities in the pre-schools being defined and resourced.
Ongoing innovation	Coding and robotics, which are central to drone activities, continues to grow and are implemented across ADvTECH schools.
Enhancing the blended learning model	Brands have introduced enhanced options in the LMS for implementation to ensure students experience an improved blended learning opportunity.
Regular oversight of schools policies	A schools policy committee was formed to ensure the regular development, implementation and review of school policies.
COVID-19 impacted elements of global competencies in teaching and learning; the CAT is building supportive frameworks to ensure the global competencies integration project resumes more consistently into 2022	Global competencies integration into teaching and learning is an area of continued focus into 2022.
Incorporation of the SDGs into the school curriculum	The SDG values and awareness form part of our academic curriculum (see case study). / Students afforded industry related experience through practical application of the various projects undertaken.
RDI was integrated into the school timetable, with success. Support workshops were provided by CAT and sessions were offered to support the process of having difficult conversations	Alignment with brand academic managers and schools has enabled schools to move to being RDI focused.

Benchmarking

An essential element of success for students is for schools to utilise data from a variety of sources for benchmarking purposes (internal and external). Benchmarking enables us to objectively compare the performance of our students against students in other classes, schools and countries. It is also used to monitor the effectiveness of our focus on consistent student growth and to track effective teaching and learning.

ADvTECH's CAT has piloted an international benchmark online assessment tool for international benchmarking of student growth and data. This tool will be implemented in a phased approach in 2022 for grades 0, 3, 6 and 8.

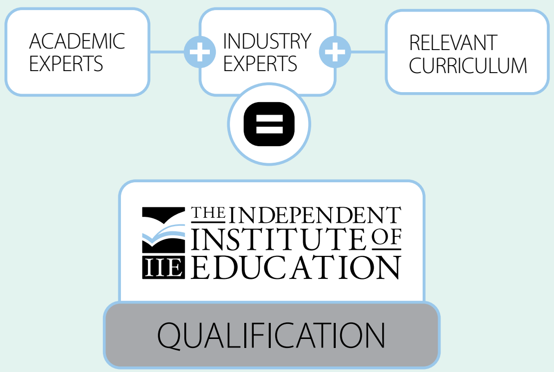
Our Grade 9 students will continue to participate in the ACER International Benchmark Test assessments, which provide comparative insights into a student's achievements in Mathematics and English together with their projected progression into the Further Education and Training phase. It also provides indicators of future success or interventions required in the student's journey.

Academic excellence within the tertiary (university) division

ADvTECH's tertiary division continues to grow its reputation as the leading provider of quality private higher education in South Africa. In keeping with our commitment to academic excellence, substantial investment ensures that ADvTECH is able to grow its footprint which means that more students are able to access our educational offerings, either at state-of-the-art campuses across South Africa or through industry-leading distance education programmes.

Student focus

ADvTECH is a student-focused institution, with the aim of building student careers through curricula that are relevant to the modern world of work. We have developed strong industry, academic and professional body partnerships to ensure this relevance. In addition to our work-focused curricula, prospective students continue to be drawn to our brands as they provide smaller class sizes and personal attention.



Oxbridge Academy and MindSharp

During 2021, Oxbridge Academy received accreditation from the QCTO to offer the Occupational Certificate: Health Promotion Officer. The campus also underwent an examination inspection by the Chief Directorate: National Examinations and Assessments during the year and received an evaluation of 100% for this inspection.

To broaden its scope, Oxbridge Academy expanded its offering into Africa and has started targeting countries such as Ghana, Kenya and Zambia. Courses are offered online, but students from these countries have access to and receive the same services as South African students.

Oxbridge Academy's existing infrastructure was also leveraged to launch MindSharp, a digital learning platform that presents online short courses aimed at upskilling individuals and corporate teams. It offers online courses in the fields of business management, finance, human resource management, information technology, marketing, occupational health and safety, and project management.

Capsicum Culinary Studio

Capsicum Culinary Studio is an accredited provider offering various culinary certifications. During 2021, our students were welcomed back to campus with a redefined approach to classes. Contact theory classes were smaller than prior to 2020 and practical classes were more focused. A new integration of online sessions and continued blended learning support, through our Lobster Ink learning platform, was developed in partnership with the Culinary Institute of America. Work integrated learning approaches were adapted to ensure students successfully meet requirements and attain the necessary exposure to the workplace. We also allow for simulations, case studies, research and mentorship as modalities through which students can engage with industry over and above the traditional placement model.

CASE STUDY

The International Baccalaureate (IB) programme

This is a unique offering at Crawford International South African schools, in the primary phases, that emphasises universal development while remaining focused on academic excellence, together with personal growth at preparatory level.

Crawford schools add value by not only focusing on academics, they also incorporate a broad range of components that will equip students to be globally competent skilled leaders for the future. As an example, the SDGs form part of the curriculum in the IB PYP. This holistic education is also an important component of ADvTECH's sustainability journey.

The written curriculum, which is regularly reviewed, promotes student awareness of individual, local, national and world issues and it is linked to the concept that teaching and learning empowers students to take self-initiated action. Graduation is determined once a student has showcased their project at the IB PYP exhibition. This exhibition enables the students to showcase their skills in research and problem solving in collaborative groups, as well as their abilities to draw upon and extend their skills, knowledge, strengths, passions and interests. Specific skills acquired during this process include determining their field of inquiry, formulating questions, conducting research, documenting the process and taking action to make a positive and sustainable difference related to their topic. The IB PYP exhibition in 2021 was most rewarding for the students, parents and teachers.

Some of the SDG that students focused on included:

Preparing and presenting to the school community

CASE STUDY

Pre-primary practice for global best practice

Due to the current COVID-19 circumstances and the impact that they have had on the pre-school learning environment, it was necessary to reflect on standards and practices and realign the pre-school spaces to ensure sustainability and secure the loyalty of our communities. The CAT has introduced elements to strengthen practices in pre-schools, which were inspired by the Reggio Emilia[3] approach and includes the principles of respect, and responsibility and community through exploration, discovery and play. The learning environment is also fundamental to the early years programme and has been established to support students as they create meaningful connections with the world around them. All pre-schools were set the challenge of reimagining their pre-school spaces to create spaces that are engaging, inspiring, inviting and support teaching and learning using recycled and natural materials.

3 The Reggio Emilia approach is an educational philosophy and pedagogy focused on pre-school and primary education. This approach is a student-centred and constructivist self-guided curriculum that uses self-directed, experiential learning in relationship-driven environments.

CASE STUDY

ADvTECH's Respect, Diversity and Inclusion (RDI) programme

"By ensuring that respect, diversity and inclusion are central to our efforts as we build the global competencies of children, we generate responsible global citizens and we discharge our duty to offer education that will have an impact beyond their time at school."

Desiree Hugo
Academic Head, schools division

This programme gained momentum and support in the ADvTECH schools division throughout 2021.

Our aim to build non-discriminatory schools remains an imperative in ensuring that we develop responsible global citizens. We have also intensified the support for schools by presenting RDI workshops for teachers and students. These sessions focused on educating students on various topics that have arisen in schools including body shaming, racial discrimination and adoption. Students and teachers have engaged with the various topics during their RDI workshops. Students have provided the CAT with RDI topics for 2022, including diversity, cyber bullying, how to manage conflict, reporting inappropriate adult behaviour, mental health support and Afrophobia. This RDI programme also reinforces ADvTECH's inclusive journey that focuses on specific elements (see alongside).

Developing global citizens

RDI and Global Citizenship framework develops skills, values and attitudes to help students thrive in a dynamic, diverse, global and connected world. Application of these improve the ability of children to navigate complex problems and communicate solutions to social, personal, global and environmental issues.

Creating communities of support

Building confidence in teachers to support and facilitate students are crucial to the success of the RDI initiative. Resources are centrally created and shared by the CAT in response to issues of mutual relevance for the broader school community. For instance, the process of developing mastery of topics and material includes the use of readings, case studies and scenarios on which the academic and teaching teams engage first before engaging with the students. By working together as a team on topics first the values and competencies are embedded throughout the group in the employees' teams. Relationships of support are built in this way.

Awareness and consciousness

Knowledge results in awareness. Consciousness comes from experience and engagement. Knowledge is built by timetabling and formalising lessons and opportunities to understand the values and skills and apply them. Consciousness is raised by embedding the application of global competency skills in the academic programme as a whole and ensuring that the values of respect, diversity and inclusion permeate all engagements at schools.

Leadership

Each school has explicitly mandated a team to take responsibility for facilitating the RDI values and global competencies in the school. School leadership is required to account for how the culture of global citizenship is built in employees and then students, through engagement with the global competencies and RDI values.

Communication and trust

Schools are communities. Parents and families are central to the success of deepening a culture in which these values are embedded. School management partners with families to build understanding and to strengthen the impact of global citizenship ambitions. Communication builds trust and focuses on the issues and topics being covered so that relationships in the school are transparent, respectful and inclusive. By sharing information parents are empowered to participate in the development of these skills, values and attitudes in their children and to contribute to the achievement of the aims of the school and beyond.

SOCIAL AND RELATIONSHIP CAPITAL

WHAT

WHAT IS OUR SOCIAL AND RELATIONSHIP CAPITAL?

This capital incorporates our relationships with the communities in which we operate and that we serve as well as other key stakeholders (page 46) who benefit from or impact on our work. Transparency, responsiveness and dialogue characterises our stakeholder relationship management approach. ADvTECH also embeds corporate citizenship by giving back to broader society through various outreach projects within our areas of operation as well as by instilling a culture of respect, diversity and inclusion in all aspects of our work internally and externally.

WHY

WHY THIS CAPITAL IS IMPORTANT

We recognise the impact of our business actions on our key stakeholders and ensure that their input forms part of our strategy development and implementation in our sustainable stakeholder value creation processes. We also participate in activities that support and sustain communities in those areas where we operate and have a presence. Our CSI programme focuses largely on educational outcomes through local employment and procurement opportunities in areas in which we operate. Where possible, in terms of our sustainability goals we align with the United Nations SDGs, focusing on inclusive and equitable quality education and the promotion of lifelong learning opportunities for all.

HOW

HOW THIS CAPITAL CREATES AND PRESERVES VALUE

By actively engaging with our key stakeholders and supporting communities where we operate, this capital's deployment results in shaping our strategy, identifying material matters and being proactive with stakeholder feedback to protect our brand and reputation. Trade-offs between other capitals are also considered. This engagement process culminates in value, creation and value preservation as depicted below.

Social and relationship capital inputs and KPIs

Value outcomes

- Ongoing employee wellness focus (Value preserved)
- RDI campaign gained traction and continues to sensitise employees around all forms of discrimination and diversity (Value created)
- 678 (2020: 501) CSI projects supported: 580 (2020: 435) social projects, 26 (2020: 26) environmental projects and 45 (2020: 40) animal projects (Value created)
- Rosebank College Graduate Empowerment Programme (GEP) assisted with 986 (2020: 606) placements (Value created)

Value created | Value preserved

Material matters considered

MM 1 MM 2 MM 4

Other capitals impacted

IC HC FC

SDGs supported

8 DECENT WORK AND ECONOMIC GROWTH
11 SUSTAINABLE CITIES AND COMMUNITIES

Stakeholders impacted

Strategic objectives supported

SO 1 SO 3 SO 4 SO 6

CLICK TO SEE ICON DESCRIPTIONS

OUTLOOK

- Continue to proactively engage with our key stakeholders.
- Continue to give back to the communities in which we operate through our CSI initiatives.

HOW WE MANAGE SOCIAL AND RELATIONSHIP CAPITAL TO SUSTAIN OUR BUSINESS THROUGH STAKEHOLDER ENGAGEMENT

Stakeholder engagement

Our stakeholder engagement approach varies according to each stakeholder's role and interests. Active stakeholder interaction and constructive feedback are encouraged, and various sector appropriate engagement platforms are used. Concerns directly addressed to us are handled with a view to retaining relationships and building common understanding and mutual benefit. We monitor media and social media to identify concerns not directly communicated. Our stakeholder engagement policy guides our stakeholder communication to ensure consistent messaging across the group. All material stakeholder concerns are discussed at TSEC meetings.

Community engagement and impact on society

Quality education maintains our stakeholders' confidence. We provide supportive learning environments that promote engagement and development, and we deploy education innovations and best practice to achieve academic excellence. Our aim is to develop balanced and confident students, who can identify and embrace personal growth opportunities and who understand their role in society. Whether we are able to work with a child from pre-school through to postgraduate study or are only able to engage with a student for a few years, our focus is on generating alumni who can and will contribute positively to their communities and society.

Through our curriculum we encourage students to become global citizens who recognise and embrace being part of an international community, while community engagement lays the foundation for awareness of interconnectedness through service to communities. This also enables students to learn from their experience, apply their knowledge and explore career opportunities. ADvTECH promotes citizenship and community engagement through awareness, volunteerism, work integrated learning and service learning. All the IIE brands are encouraged to have sustainable relationships with community-based organisations so that students' input provides a cumulatively meaningful contribution and activities promote the dignity of the community being served. Ongoing monitoring of community activities and engagement takes place, with oversight by TSEC.

Oxbridge adopts a new communication platform

From a student support perspective, Oxbridge Academy's new communications platform 'LivePerson' was adopted to improve service delivery. This solution is a dynamic conversational cloud platform that centralises our social media communication channels. WhatsApp channels were created for all branches of the business, i.e. Oxbridge Academy South Africa, Zambia, Kenya, and Ghana, as well as MindSharp. Additional functions to incorporate messaging from Facebook and Twitter were also enabled, along with implementing a WebChat function on the main Oxbridge Academy web domain. By adopting the functions offered by LivePerson, Oxbridge Academy is able to effectively communicate with both prospective and current students and provide support either by human interaction or through artificial intelligence robots outside of office hours.

Corporate social investment

Our business has strong focus on people development, education and imparting knowledge. Education promotes equality and enables social transformation, which is why community development through educational support is key to ADvTECH's CSI programmes. Our CSI approach is directed towards education interventions within disadvantaged local communities and promotes employee and student participation.

See page 52 for our CSI objectives and case studies.

COVID-19 operating environment

We continue to communicate that our stakeholders' health, safety and wellbeing are important emphasising that we have COVID-19 protocols in place. As students navigate their "new normal" academic journey, ADvTECH continues to provide social, emotional and logistical support. We have received positive feedback from our customers on our proactive and consistent engagement during lockdown.

Progress in 2021

MATERIAL STAKEHOLDER CONCERNS IN 2021

There were several key stakeholders concerns raised based on our current operating environment. These are discussed below along with our response.

Hot topics impacting our business

Consumer financial pressure

Concern	ADvTECH's response
Consumer financial pressures continued into 2021, mainly due to the challenging economic climate, the COVID-19 impact and various COVID-19 waves. Financial stress around education affordability continued as people grappled with how the 'new normal' has impacted their livelihoods. Specific consumer concerns included:	• There were no school fee increases for 2021, to alleviate the economic pressures facing our customers. • Financial assistance is offered on a case-by-case basis for parents facing financial strain.
• **School fees**	• With the exception of few schools that adjusted their offering, ADvTECH schools did not implement across-the-board fee increases for 2021. • 2022 Fee increases are in line with inflation.
• **Tertiary enrolments impacted by delayed Matric results**	• Extended our enrolment period by two weeks to the end of March (usually end of February, early March) and adjusted the academic calendar to allow for the delayed start of classes.

Government delay in opening of schools due to a second COVID-19 wave

Due to COVID-19 waves, the government placed South Africa under more stringent lockdown levels to combat the spread of the virus. This resulted in delays in schools reopening.

ADvTECH's response

- We moved schooling online for a two-week period as requested by the DBE.
- We actively addressed various Youth League protests to assure them that we are adhering to regulations and Occupational Health and Safety (OHS) protocols.

Predatory behaviour in schools

A documentary on predatory behaviour in schools was televised that focused on predatory behaviour in schools, including overall processes, grooming and victim-blaming.

ADvTECH's response

- We have specific policies and a code of conduct in place that all employees are required to adhere to. Any allegations of misconduct are addressed swiftly and reported to the relevant authorities such as the South African Principals Association (SAPA) and SACE.
- Students have access to anonymous reporting (FaceUp) tools as well as counsellors for face-to-face engagement and support.

Below, and on the following pages, we list our key stakeholders, their interests, how we engage with them and our internal view on the relationships we have with our stakeholders.

Stakeholders and why they are important to us

INVESTORS, FINANCIERS AND SHAREHOLDERS

Investors and the financial markets community 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.

How we engage

- Regular financial results presentations
- Annual integrated report and interim financial results publications
- Stock Exchange News Services (SENS) announcements through the JSE
- Media releases
- Engagements and individual meetings with investors and analysts by the group CEO and the GCD
- Regular engagement with financiers to discuss the group's debt obligations
- Investor site visits and virtual tours and video clips to accommodate for COVID-19 and for our international audience
- Annual general meeting
- King IV™ compliance report, available at www.advtech.co.za

Interests

- Growth prospects
- Profitable and sustainable business
- Remuneration policy
- Policies
- Strategy
- Environmental, social and governance metrics
- Compliance with the JSE Listings Requirements
- Corporate governance

Value add

- A resilient, sustainable group geared for long-term growth
- Providing a market-related return on investment

Strategic objectives: SO 2, SO 6

ADvTECH's relationship with stakeholders: Positive

Level of influence on ADvTECH: Medium

CLICK TO SEE ICON DESCRIPTIONS

STUDENTS AND PARENTS

Current and potential parents and students are vital to our business as they create the demand needed for us to remain sustainable.

How we engage

- Parent functions, roadshows, meetings and online parent portal
- Parent Teacher Association
- Face-to-face student, lecturer and teacher engagement
- Cloud-based student information system
- Continuous assessment and feedback on student progress
- Tertiary student portal for students registered with the IIE
- Electronic and mobile communication
- Newsletters and magazines
- Student support teams and school counsellors
- Call centres, service desks, academic support and student self-help tools
- Social media
- An ethics hotline via student portals for tertiary students to report unethical behaviour
- Student and parent customer satisfaction surveys
- Online virtual graduations
- Virtual campus tours
- Proactive vaccination communication and the provision of vaccination sites at tertiary brand's campuses
- Student code of conduct

Interests

- Quality offerings – academic, cultural and sport
- Customer service
- Policies
- Qualified staff
- Reputation
- Safe and innovative learning spaces
- Preparation for the future world of work
- COVID-19 communication and updates on vaccination sites

Value add

- Proactive solution-driven communication, including user-friendly digital technology
- Online assistance
- Enhancing products and customer service
- Health and safety in a COVID-19 environment

Strategic objectives: SO 1, SO 3, SO 5, SO 7

ADvTECH's relationship with stakeholders: Positive

Level of influence on ADvTECH: High

CLICK TO SEE ICON DESCRIPTIONS

Positive | Neutral | Low | Medium | High

SOCIAL AND RELATIONSHIP CAPITAL CONTINUED

Stakeholders and why they are important to us

ALUMNI

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

How we engage

- Regular work placement surveys
- Electronic communication such as websites, social media platforms, webinars and newsletters
- Graduate and alumni surveys and feature stories
- Virtual career days
- Networking opportunities
- Coaching opportunities
- Programme advisory committees

Interests

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

Value add

- Supporting graduates in finding employment
- Enhancing ADvTECH's reputation through alumni

Strategic objectives

SO 1, SO 2

CLICK TO SEE ICON DESCRIPTIONS

ADvTECH's relationship with stakeholders: Positive

Level of influence on ADvTECH: Low

RECRUITMENT CANDIDATES AND CLIENTS

Recruitment candidates and corporate clients provide the mandate for us to operate in the recruitment market.

How we engage

- Electronic communication including websites, social media platforms, online interviews and newsletters
- LinkedIn
- Salary survey reports
- Media releases and social media video clips to share tips, information and facilitate the recruitment process for candidates and clients

Interests

- Customer service
- Quality applicants
- Vacancy placement turnaround time
- Remuneration benchmarking and surveys, e.g. PayScale

Value add

- Innovation forums aimed at improving the online user experience
- Enhanced service levels through innovative technologies
- Quality placements that enhance client productivity

Strategic objectives

SO 2, SO 3, SO 5, SO 7

CLICK TO SEE ICON DESCRIPTIONS

ADvTECH's relationship with stakeholders: Positive

Level of influence on ADvTECH: High

MEDIA

The media keeps our stakeholders informed, which impacts our business operations, perceptions and brand awareness.

How we engage

- Regular results presentations
- Annual and interim reporting
- SENS announcements through the JSE
- Media releases
- Proactive public relations (PR) and educational media releases addressing relevant topics and the role of private education in South Africa

Interests

- Brand and site-specific incidents
- Group performance
- Growth prospects
- Policies
- Reputation
- Credibility and quality education

Value add

- Stakeholder crisis communication
- Lobbying for legislation revisions to allow private higher education institutions to be called private universities
- Reinforcing ADvTECH's position as an academic excellence sector thought leader via PR campaigns
- Building relationships with the communities in which we operate through local media

Strategic objectives

SO 1, SO 2

CLICK TO SEE ICON DESCRIPTIONS

ADvTECH's relationship with stakeholders: Neutral

Level of influence on ADvTECH: Medium

Positive | Neutral | Low | Medium | High

SOCIAL AND RELATIONSHIP CAPITAL CONTINUED

Stakeholders and why they are important to us

COMMUNITY

Our brands are integral to the communities in which they operate.

How we engage

- Initiating and taking part in various CSI projects and initiatives in communities where we operate
- Supporting disadvantaged schools in certain brands' communities through tutoring, academic and administrative support and various donations
- Promoting sustainable development through all our CSI programmes and activities
- Initiating or participating in various greening initiatives
- Encouraging and supporting voluntary testing and education to minimise the stigma around those living with HIV/Aids
- Developing citizenship characteristics in students

Interests

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

Value add

- Providing financial support through bursaries
- Involving students and employees in CSI projects and aligning with community needs
- Reducing carbon footprint through various energy, water and waste solutions

Strategic objectives

SO 1, SO 3, SO 5, SO 6, SO 7

CLICK TO SEE ICON DESCRIPTIONS

ADvTECH's relationship with stakeholders

Level of influence on ADvTECH

REGULATORY BODIES AND GOVERNMENT

Regulatory and professional bodies, associations and government set and enforce regulatory standards and guidelines.

How we engage

- Ongoing engagement with relevant regulatory bodies in South Africa and in the rest of Africa through face-to-face or virtual meetings and/or formal correspondence
- Key regulatory bodies are listed on page 10
- Annual academic publication – *The Independent Journal of Teaching and Learning*
- Representation and participation at the DBE working committee on home education policy and related regulations
- Ongoing engagement (face-to-face or virtual meetings and/or formal correspondence) with government departments around COVID-19 protocols

Interests

- Licence to operate as a business entity
- Regulatory compliance
- Policy adherence
- Certification of students

Value add

- Accreditation with Umalusi, HEQC, CHE
- IIE accreditation with the BAC
- Registration of teachers with the SACE
- Registration of Early Childhood Development centres with the Department of Social Development
- Maintaining good relations with regulators and ensuring regulatory compliance
- Compliance with COVID-19 protocols
- Registration with the Information Regulator (South Africa) in compliance with POPIA

Strategic objectives

SO 1

CLICK TO SEE ICON DESCRIPTIONS

ADvTECH's relationship with stakeholders

Level of influence on ADvTECH

EMPLOYEES / INDEPENDENT CONTRACTORS

Our business revolves around people. We pride ourselves on attracting and retaining top talent in the sectors where we operate. Our employees are passionate and highly skilled. They have a commitment to quality and excellence and drive the execution of ADvTECH's strategy while living the company values.

How we engage

- Interactive communication across the group's brands via group internet and communication channels
- Workshops, presentations, online meetings, newsletters, video clips and project update meetings
- Integrated leadership development programmes (online and face-to-face) and mentoring
- Management toolkit for new managers
- Change management initiatives
- Dedicated intranet spaces and portals for the central academic team and education divisions
- Regular health and wellness programmes and health and safety representatives (including COVID-19 personal protective equipment (PPE) and vaccination information)
- Cultural events to celebrate employee diversity
- Employment equity and disability awareness communication campaigns and workshops
- Employee awards and recognition
- Employee satisfaction surveys at brand level
- Respect, diversity and inclusion campaign and anti-discrimination tools (FaceUp)
- Employee pulse surveys
- Ongoing COVID-19 updates through COVID-19 App, emails, vaccination and safety protocols

Interests

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

Value add

- Developed and equipped our employees to reach their potential and ensure succession plans in place
- Enhanced our market competitiveness through various training opportunities
- Equipped principals to be leaders in a customer-centric environment
- Improved online staff engagement to enhance productivity
- Sensitising employees regarding respect, diversity and inclusion
- Supporting employees' mental health during pandemic
- Encouraged employees to get vaccinated
- Protected employees' personal information

Strategic objectives

SO 1, SO 3, SO 5, SO 7

CLICK TO SEE ICON DESCRIPTIONS

ADvTECH's relationship with stakeholders

Level of influence on ADvTECH

Positive Neutral Low Medium High

Communities CSI

Invested
R207 million
in bursaries
(2020: R216 million)

Case studies

The information on the following pages highlights some of ADvTECH's initiatives in the communities where we operate as well as the goals achieved. These initiatives also link to the UNs SDGs.

ADvTECH's CSI GOALS

- Raise awareness and motivate self-employment and entrepreneurship as career options.
- Provide inclusive and equitable quality education.
- Assist in breaking the cycle of poverty by ensuring graduates are employed.
- Partner with disadvantaged schools to improve their academic quality.
- Promote lifelong learning opportunities for all.
- Ensure that our graduates play an active role in building the economy of our communities.
- Ensure sustainable cities and communities through community partnerships.
- Produce highly skilled, employable graduate professionals.
- Assist with basic needs and infrastructure improvement.
- Encourage students to 'pay it forward' by giving back to communities to enrich and empower lives and livelihoods.

CASE STUDY

Vega creating advertising campaigns for NGOs

Vega's student work-readiness and work-integrated projects include the creation and management of advertising campaigns for Non Governmental Organisations (NGOs).

View their work on our website

CASE STUDY

Capsicum Cullinary Studio (Capsicum)

Capsicum's CSI initiatives vary from making food to supporting the environment and animal anti-cruelty. Other initiatives included a soup drive for Mandela Day and making cupcakes for cancer awareness. St Annes Home also benefited from a breakfast that was prepared by the students. In addition, Capsicum students and employees participated in a beach clean-up following heavy rainfalls and a campus raffle where proceeds were donated towards purchasing the Animal Anti Cruelty League annual diaries. Our chefs and students also cooked meals for children who have suffered abuse or have been neglected.

CASE STUDY

Graduate empowerment programme (GEP)

– introduced at Rosebank College in 2013

Overview

Higher education raises awareness of and motivates self-employment and entrepreneurship as career options, which encourages innovative business start-ups, especially in the IT sector. While theoretical grounding is important, students also need practical training that prepares them for the world of work. Rosebank College aims to achieve this through the GEP. For more than 70 years, Rosebank College has delivered quality tertiary education to students across South Africa. Rosebank College's academic approach is career oriented and technology driven, with qualifications designed and frequently reviewed to meet changing market demands. This ensures that what students learn meets the latest skill requirements of their chosen vocation.

International and employer recognition

Each campus has a career centre and offers career coaching sessions and mentorship covering various entrepreneurship attributes and communication skills in the workplace. Motivational speakers inspire and encourage the students, while Rosebank College partners with potential employers to help match roles and opportunities for those students set to graduate soon. Prior to lockdown, new relationships were forged with large corporates and 563 graduates received coaching. Due to COVID-19's impact on the job market, some companies postponed the recruitment of graduates that they intend recruiting in the future.

COVID-19 also had a significant impact on our business development as most companies scaled down on graduate recruitment. We explored new ways of engaging with old clients as well as seeking new clients, which included promoting the 2020 graduate database through campaigns with our existing and new clients. Zoom meetings were used to engage with many clients on one platform, as opposed to face-to-face client visits.

Successes to date

Partnered with ADvTECH schools and referred some graduates to start work in 2022.

Partnered with Harambee to provide graduates for the Presidential Youth Employment Intervention initiative.

Partnered with Evolve Online School where we have placed six students to date.

Placements: 986 students (2020: 606) placed in first-time employment opportunities during 2021.

There was a 36% increase in new business partnerships through engagement with small, micro and medium enterprises (SMMEs), corporates and government. New corporate placements include MiWay, OUTsurance, CapaCiTi, Cartrack, Bakers SA, Smollan Holdings Graduate Programme, the YES Programme, Kingsley Brands and Africa Tikkun. Government placements include: the Department of Labour, the SA National Defence Force, Steve Biko and Baragwanath hospitals and the Insurance Sector Education and Training Authority (INSETA).

Focus areas in 2021

- **Coaching:** Introduced work readiness online coaching sessions to prepare graduates for the world of work. Work readiness videos were circulated to graduates – to date we have coached 4 430 graduates. Monthly campaigns were conducted with BizCommunity YouTube Videos that covered various topics including CV writing, interview tips and preparing for job searches
- **Online students:** Established what soft skills online students require and then held a workshop attended by 105 online students to share various required online soft skills.
- **Entrepreneurship programme:** This programme seeks to equip entrepreneurial leadership and start-up skills through training to build scalable enterprises. A hundred and thirty-two entrepreneurs were profiled in 2021 and we continue to engage them via Zoom. Going forward this programme will provide training for students and graduates, to drive positive, disruptive change to society by building scalable enterprises. The target for 2022 is to upskill 100 new entrepreneurs.

Going forward, we aim to partner with the Department of Small Business Development which has launched the Youth Challenge Fund (the Fund) for 15 000 qualifying entrepreneurs. The Fund is aimed at addressing the challenges faced by many young entrepreneurs with regards to accessing finance for youth-owned start-ups. Through our entrepreneurship programme, we will target current students, graduates and graduates already running businesses. We will also continue the GEP awareness through various media platforms and we aim to move many GEP activities to online platforms. Success stories will also be collected to further promote the GEP.

SOCIAL AND RELATIONSHIP CAPITAL CONTINUED

CASE STUDY

Varsity College student support, career centre and alumni

Highlights from 2021

Career Centre Platform – Varsity College and IIE MSA

- More than 5 700 students and alumni accessed the Career Centre Platform for the first time, with over 517 repeat logins and over 113 400 career related activities.
- An artificial intelligence (AI) functionality was included on the interview 360 feature app. Our students and alumni can now receive detailed feedback on their mock interviews, including feedback on posture, facial expression and the lightning in the room. This valuable resource improves online interview skills due to the impact of COVID-19, bringing about the necessity for employers to conduct virtual interviews.
- We continued building relationships with various ADvTECH schools and conducted awareness sessions across our campuses.
- We launched the interactive Career Centre Platform at IIE MSA on 27 September 2021, providing students with access to valuable career resources and tools for their career development. Since the launch of this platform at the IIE MSA, 118 users accessed the Career Centre Platform for the first time, with 412 repeat logins and 1 137 career related activities.

Alumni

We hosted our inaugural Virtual Alumni Connect Evening on 14 October 2021, with the theme 'Exploring the Future of Work'. Sixty-nine graduates attended this event, which had exciting guest speakers, including our alumni, and provided networking opportunities. Due to the pandemic and lockdown, we hosted the Varsity College Alumni, Virtual Career Development Week, with the aim of equipping our 2021 graduates who had not secured employment opportunities with employability skills.

Final year – Virtual Career Development

- Hosted 27 career development sessions for students in the School of Management, School of Education, School of Humanities and Social Sciences and School of Law. We invited industry experts to speak to students, providing them with glimpse into the world of work. A total number of 1 159 students attended these sessions.
- Hosted three national virtual part-time work Information sessions for current students on 18 August 2021. We were joined by representatives from three companies offering part-time work opportunities (including virtual opportunities). They spoke to students about ways to go about finding virtual part-time work opportunities.

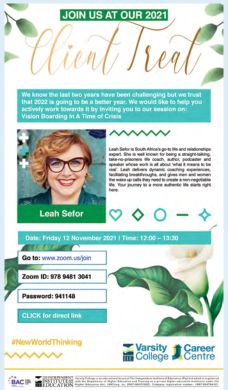
Virtual Graduate Expo 2021

Over 500 students from IIE's Varsity College and IIE MSA attended the South African Graduate Employers Association (SAGEA) – Virtual Graduate Expo. It has been valuable in providing job opportunities for our students and graduates.

Women's Month celebration – 'Live with Louise' on Instagram

Louise Wiseman, Managing Director for Varsity College and IIE MSA

For our Women's Month initiative in August 2021, the Career Centre team hosted a 'Live with Louise' Instagram session for the IIE's Varsity College and IIE MSA students and staff. The aim was to inspire and help pave the road for our female students to aspire to and become future female leaders.



Employer engagement

We hosted a Virtual Client Treat for various clients to express appreciation for them because they hire and empower our students and graduates. The keynote speaker, Leah Sefor, well known as South Africa's go-to life and relationship expert, empowered our audience to envision a better 2022 through vision boarding in a time of crisis that we find ourselves in. Positive feedback was received from our clients, who found the session very informative, insightful and inspirational.

HUMAN CAPITAL

WHAT

WHAT IS OUR HUMAN CAPITAL

Our employees are our human capital. Most of them are professionally qualified and contribute a wealth of intellectual capital to our academic expertise and integrity. We invest significant financial capital in building intellectual capital to attract and retain these high-calibre employees. They are passionate and committed to quality and excellence, which is key to creating and maintaining confidence in our value proposition.

WHY

WHY THIS CAPITAL IS IMPORTANT

We are a 'people business' and ADvTECH's employees are our ambassadors who are instrumental in delivering an exceptional customer service. The past two years have been particularly challenging as we grappled with the impact of the global pandemic on lives and livelihoods. We employ resilience, flexibility and commitment in adapting to the challenges created by ongoing lockdowns. The pandemic also provided opportunities to showcase the group's ability to be innovative in our customer value proposition and it allowed us to identify key talented individuals and potential leaders.

HOW

HOW WE CREATE AND PRESERVE VALUE USING HUMAN CAPITAL

Human capital inputs and KPIs

Value outcomes

- Invested R13 million (2020: R11 million) in employee training and conferences to boost development
- Continued quality academic offering through well-established CAT with no academic days lost
- Employees adapted to flexible working hours and our work-from-home model
- RDI campaign gaining traction within the group
- Mentorship component of the ADvTECH Academy rolled out

Value created | Value preserved

OUTLOOK

- Continue to support employee wellbeing through ADvTECH's progressive wellness programme.
- Entrench our RDI campaign, specifically by extending FaceUp to students across the schools division.
- Start the schools division's three-year journey capability to equip teachers with 21st century skills, initially focusing on the student/parent customer relationship.
- Continue to build commercial competence and management expertise around our flagship learning and development leadership programmes.
- Launch a centralised group course catalogue that will enable employees groupwide to access approved training programmes.
- Launch the academic rubric to drive focused teaching development and learning skills to create professional teachers.

Material matters considered

MM 1 | MM 2 | MM 6

Other capitals impacted

FC | SC | IC

SDGs supported

3 Good health and well-being | 4 Quality education | 5 Gender equality | 8 Decent work and economic growth

Stakeholders impacted

Strategic objectives supported

SO 1 | SO 2 | SO 3 | SO 5

CLICK TO SEE ICON DESCRIPTIONS

HOW WE MANAGE HUMAN CAPITAL TO SUSTAIN OUR BUSINESS

Our business success is directly attributable to our 7 866 dedicated employees (2020: 7 853). In support of our business model, we leverage independent contractors to fill key positions like sports coaches and lecturers. Our total complement of staff works seamlessly to ensure our competitive advantage. We observe generous leave practices in addition to the statutory requirements of maternity, parental, adoption and surrogacy leave.

PERMANENT EMPLOYEES
68%
(2020: 63%)

INDEPENDENT CONTRACTORS
22%
(2020: 28%)

FIXED-TERM EMPLOYEES
10%
(2020: 8%)

CASUAL EMPLOYEES
1%
(2020: 1%)

Investment in our human capital development is a further lever in our competitive landscape. Education and learning are considered essential to creating a culture of high performance and engagement. Every individual can create their own individual development plan in support of their long-term career growth. Plans are reviewed annually to ensure they remain aligned to both personal and professional needs.

Our skills development programmes focus on building management and leadership skill, functional expertise, commercial competence, interpersonal proficiency, and the critical 21st century thinking skills. These are all required to support the holistic development of our students.

Our remuneration philosophy is directly linked to performance outcomes. We participate in several market surveys to ensure our remuneration remains competitive. In addition to guaranteed pay, our employee value proposition extends to a broader offering that includes additional benefits such as retirement, bursaries and medical and health benefits. Recognition of top performers is also integral to our overall employee value proposition.

Award category 2021

Long-service awards are presented on completion of five years' service intervals to acknowledge the important contribution of longer-serving employees. During 2021, employees reached the following milestones:

Years' service	5	10	15	20	25	30	Total
2021	**568**	**232**	**131**	**45**	**23**	**2**	**1 001**
2020	351	183	85	49	7	1	676

Progress in 2021

Skills development

Investing in employee development remains a priority for ADvTECH. During the year, 82 managers were upskilled (2020: 57) and R13 million (2020: R11 million) was invested in employee training and conferences groupwide.

Leadership development

We continually review and refine our employee leadership and development programmes to ensure that they are building key organisational capabilities. Flagship leadership development programmes are aligned to the business's strategic imperatives, and continue to support a high-performance culture and growth mindset. Through the ADvTECH Academy, high performers focus on customer centricity and courageous conversations, supported by regular coaching sessions. Our people management toolkit ensures that leadership across the organisation has access to practical resources and training to manage their people effectively. The ADvTECH employee learning management system has been introduced to support employees on their employment journey, particularly for employee onboarding and performance success.

Rigorous nomination processes have resulted in exceptional commitment from the participants selected for the various leadership programmes, which is proving to be valuable to the business.

Progress in 2021

Transformation

The group's employment equity policy drives annual talent targets, and overall transformation progress. This is overseen by the group's TSEC. Our five-year employment equity plan was approved by the Department of Labour in November 2021, and divisions are tracking their performance against the new targets. Each school brand created their own Employment Equity Committees (EECs) to ensure feedback and input at every level of the organisation is integrated into the group's transformation plans.

Seven divisional and brand individual EECs are consolidated into the National Employment Equity Committee (NEEC) that determines and guides the committee charters. The NEEC is well positioned to accelerate ADvTECH's transformation journey.

Current transformation demographics are as follows:

BLACK MANAGEMENT
44%
(2020: 40%)

BLACK EMPLOYEES
59%
(2020: 56%)

FEMALE EMPLOYEES
68%
(2020: 67%)

Health and wellness

Employee wellbeing remains a priority. Our ongoing partnership with the South African Depression and Anxiety Group (SADAG) continues to provide a confidential mental health support system.

In addition, we relaunched FaceUp, an online platform that allows employees to anonymously report any issues that impact their physical or mental safety and wellbeing, with great success.

Performance management and remuneration

ADvTECH's performance management process was repositioned as 'performance success' to reinforce empowerment, growth and ownership principles. This process provides a standardised calendar, along with key standard templates, to support the performance management process and includes an e-learning module that makes the performance process frameworks more accessible.

As the performance success rolled out into specific divisions and departments, the links with both development and reward were tightened. This coordinated approach drives a robust cycle where development, performance and reward are managed interdependently.

In 2021, we optimised the teachers value proposition to provide a more robust element to our attraction and retention efforts. This performance/remuneration model challenges and rewards teachers who invest in their development, which positively impacts student outcomes. By focusing on reward and recognition we are enhancing commitment, loyalty and productivity.

ADvTECH adopted a minimum shareholding requirement (MSR) policy that aligns shareholder interests with executive objectives. It aims to drive an increased level of executive accountability for the longer-term sustainability of the organisation. This policy forms part of ADvTECH's remuneration policy that ensures remuneration outcomes are fair, appropriate and reflect business performance.

Human rights

Our employees are committed to the RDI programme principles that ADvTECH introduced in 2020. These include the right of children to receive education in an environment that is free of any form of discrimination, particularly regarding religion, gender, race and sexual orientation. This encompasses any kind of bullying and other forms of discrimination. The group also offers diversity and human rights training programmes to raise awareness among our employees and students.

Employee engagement

Employees completed a new organisational culture survey for the group to obtain an understanding of the degree of sustainable engagement experienced in the business. The survey completion rate was 75%, which enabled a robust analysis resulting in meaningful insights.

Through the survey, the education divisions highlighted that, employees have a very clear idea of their job responsibilities, and in particular understand how their role contributes to the group's overall goals and objectives. This underscores that our approach to recruitment, performance management and overall communication is aligned and well anchored. Resourcing division's employees indicated that they have the resources necessary to achieve their best, and that positive relationships with their line managers encourages their professional growth and builds trust.

The survey used three benchmarks, that enabled us to compare ourselves against South African companies, global peers, and global high-performing companies. Overall, ADvTECH showed a very solid performance against both the education and South African benchmarks, and compared favourably to the global high-performance benchmark.

HIV/Aids

We are well positioned to use our learning environment to educate students about HIV/Aids and promote responsible behaviour. We continue to encourage and support voluntary testing and education to minimise the stigma around HIV/Aids.

CASE STUDY

Chantal Ramburan
Talent Management Consultant, group HR

"Working at ADvTECH for over a decade, first as a Change Management Specialist and more recently as a Talent Management Consultant, has been rewarding and fulfilling. It has changed me as a person and has afforded me the opportunity to help colleagues adapt, accept and align to change within our ever-evolving business."

"Engaging with stakeholders at various levels, including being given access to leaders within the group, has enriched my skillset and business acumen that has enabled me to support both the business and employees through change."

Chantal Ramburan joined ADvTECH in 2010, having graduated from Varsity College with distinction in Human Resource Management and Training. Working as Academic Operations Administrator in KwaZulu-Natal, then as Change Management Specialist in Group Shared Services, Chantal has been in the front line of much of the group's growth journey and has applied her skills to progressively more complex roles.

A versatile person, Chantal thrives on handling change and transformation, particularly in her ability to guide people at all levels through whatever the process entails. Along with her talent for problem solving, Chantal has during her employ already made an invaluable contribution to a diverse range of projects and activities, throughout ADvTECH's evolution.

MANUFACTURED AND INFRASTRUCTURE CAPITAL

WHAT

WHAT IS OUR MANUFACTURED AND INFRASTRUCTURE CAPITAL?

This capital consists of campuses, buildings, infrastructure, technology, business processes and facilities. We invest significant financial capital in these assets to expand our brands to deliver on our brand-specific value propositions. We also deploy these capital resources to create environments, systems and processes conducive to learning, enabling our students to meet their full potential academically and become well-rounded individuals.

WHY

WHY THIS CAPITAL IS IMPORTANT

Our manufactured and infrastructure capital enables us to build a high-quality organisation for education, training and placements. ADvTECH's goal is to enable our students to reach their full potential academically and in the job market. We continue to invest in our assets for student growth and optimise how we use these assets to provide an appropriate return on investment and create stakeholder value.

HOW

HOW THIS CAPITAL CREATES AND PRESERVES VALUE

When we deploy this capital, we take account of trade-offs between the other capitals, primarily financial capital as our investments need to provide an acceptable return on investment. We also consider our natural capital (land and resources) to ensure we do not have a material negative environmental impact. Relevant stakeholders are engaged when these decisions are made. This process culminates in value creation and preservation as depicted below.

Manufactured and infrastructure capital inputs and KPIs

Value outcomes

- Invested R346.8 million (2020: R308 million) in capex
- Service desks have been extended to all service facing activities improving service delivery and driving efficiencies
- Increased use of our virtual learning platforms
- Changed campus connectivity from broadband to direct internet access – invested approximately R30 million in network Wi-Fi upgrades
- Implemented an improved finance and operations platform integrated with the SIS in the tertiary division. Key benefits to this solution include system automation, groupwide process standardisation, enhanced customer service and a streamlined supplier database
- Timetabling software rolled out across all schools to improve productivity and drive efficiencies

Value created | Value preserved

Material matters considered
MM 1 MM 3 MM 5

Other capitals impacted
FC SC IC NC

SDGs supported
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Stakeholders impacted

Strategic objectives supported
SO 1 SO 2 SO 3 SO 4 SO 6 SO 7

CLICK TO SEE ICON DESCRIPTIONS

OUTLOOK

- Continuing to invest in and maintain our assets to ensure optimal use of space and sustainability across our asset portfolio and ensure an appropriate return on investment.
- Continuing to explore technical and digital innovations to further enhance our customer experience, reduce costs, improve operations and add value to our academic offerings.
- Continuing to rollout Microsoft Dynamics 365 groupwide to enhance customer service, standardise processes and streamline our supplier database.
- Continuing to enhance our GSS model to extract further efficiencies.

HOW WE MANAGE MANUFACTURED AND INFRASTRUCTURE CAPITAL TO SUSTAIN OUR BUSINESS

ADvTECH is committed to designing, developing and maintaining world-class education facilities in locations that enable us to achieve a sustainable return on investment. Our campuses not only deliver education, but they are also inherently designed to enrich the learning experience. All investments are preceded by feasibility studies and due diligence to ensure we maximise our return on investment.

Continued a significant technology investment journey to streamline our processes, has made us more effective and efficient and provided us with a key differentiator. These investments enabled continued service delivery and academic excellence during the national lockdown with minimal disruption in our remote working environment. Our established infrastructure and systems, particularly in the digital environment, continue to position the group to adapt swiftly to the challenges faced during the ongoing pandemic. Our systems also allow us to integrate and enhance functionality as well as provide data insights.

Progress in 2021

CAMPUSES AND BUILDINGS (PROPERTIES)

Facilities management is responsible for the upkeep of our properties, particularly through preventative maintenance. Essential expansion projects were done to accommodate for growth or assets space optimisation where it was essential. During 2021, there were 13 active projects to add capacity for the schools (10 projects) and tertiary division (three projects). We also increased capacity for an additional 3 150 students. The tertiary projects entailed creating more lecture rooms at Rosebank College and Varsity College, which can accommodate an additional 1 100 students in total.

Efficient facilities management

Key strategic imperatives, including the implementation of innovative systems, realising operational efficiencies and optimising consumption, are ongoing across multiple sites. Some initiatives assist us to track and manage our water and electricity consumption and costs more efficiently.

Managing and optimising water and energy consumption in 2021 yielded positive results and the feasibility study for installing a pilot solar electrical system at one of our schools, was completed at the end of 2021. In addition, the schools' facilities managers were incorporated into properties management to streamline processes.

Environmental health and safety (EHS)

A safe and healthy environment remains a priority as the global pandemic continues to impact our EHS group functions. We are however satisfied that our precautionary measures established in 2020, continue to ensure all employees and customers have a safe and healthy working environment.

Precautionary measures

- Protocols and procedures are in line with relevant COVID-19 regulations.
- Ongoing monitoring of legislative and directive changes and amended protocols and procedures.
- ADvTECH's COVID-19 steering committee oversees and monitors compliance with South Africa's Disaster Management Act requirements.
- A COVID-19 app and repository portal is in place on the intranet for information and training purposes. We also launched an additional app in 2021 – Have you been vaccinated?
- Coordinated COVID-19 deep cleans took place at sites where positive COVID-19 cases had been reported.
- Awareness material regarding COVID-19 protocols (posters and training videos) were distributed groupwide.
- Investigated and reported COVID-19 cases to relevant authorities.

Systems, infrastructure and information technology

During lockdown we scaled technology to match demand and implemented various solutions and student support tools to ensure a fluid transition for our stakeholders. While the demand for technologies continues to increase, the regulatory environment in the digital arena continues to evolve. The group has various policies and plans to ensure we comply with relevant regulations. In addition, with the surge of cyber security incidents, we have renewed our cyber insurance to mitigate this risk.

Microsoft Office 365 (Microsoft Teams, OneDrive and SharePoint Online and Power Apps platform)

This solution supported and enabled the education offering as well as business operations to respond to the ongoing challenges.

Student Information System

The SIS was successfully implemented across our schools in South Africa in 2018 and has been extended to all schools in the rest of Africa during 2021. The rollout in our tertiary division commenced in 2021.

Group Shared Services

The journey to transform ADvTECH's transactional finance and administration functions groupwide was primarily driven by GSS. GSS continues to streamline business processes across the group to establish a sustainable model to support ADvTECH's growth agenda. GSS is also providing a competitive advantage, which will be further enhanced with the implementation of our new enterprise wide finance system.

We continue to seek out and eliminate inefficiencies in other support functions with the primary purpose of reducing cost and enhancing the customer experience, both internally and externally.

Going forward, additional operational efficiencies will be targeted through the implementation of Microsoft Dynamics 365 which will deliver optimised processes, increased levels of automation and a more integrated system landscape. A centralised procurement pilot is also underway.

CASE STUDY

Group Shared Services

Driving operational efficiencies in the schools division South Africa

GSS, working together with the brands, continues to deliver operational efficiencies and effectiveness by driving standardisation and streamlining our business processes, eliminating duplication, improving the controls framework and establishing a service culture.

Key benefits delivered:

- Proactive management of the schools division debtor's book has resulted in gross trade receivables reducing by 40% compared to 31 December 2020.
- Our improved processes enabled us to reduce the number of bank accounts from 66 in 2018 to 34 (48%) at the close of 2021. This initiative has reduced the number of reconciliations, the bank fees and the governance requirements to manage these bank accounts. This reduction has also released capacity to focus on other initiatives.
- Through the introduction of the student descriptor as a payment reference number, 95% of receipts are allocated automatically with no manual intervention required.
- From the start of this process in 2018, we have consolidated the number of active vendors from 36 899 to 4 385 (88%), which has reduced the number of invoices and payments being processed by 30.5% and 66.8% respectively.
- Continued to transform the back-office support functions to ensure focus on delivering services, which contributes to an improved customer experience resulting in the response time to resolve queries being reduced by 48%.
- Improving productivity in various finance functions.
- Providing key insights to divisions to improve operational expenditure management.

Now that the schools South Africa division has been integrated into GSS, the focus is to move the rest of the schools in the rest of Africa and tertiary division into GSS.

NATURAL CAPITAL

WHAT

WHAT IS OUR NATURAL CAPITAL?

We rely on natural resources such as land, energy and water for our operations and we are mindful that we need to preserve them by mitigating potentially negative environmental impacts through responsible usage. Our education offering includes awareness of our natural heritage to instil a deep respect for the environment in our students.

WHY

WHY THIS CAPITAL IS IMPORTANT

Central to our sustainability approach is consideration of how our activities may impact on future generations. We are also aware of the growing concern around global climate change. The group continues to educate our students about these environmental issues and we lead by example through responsible corporate behaviour.

HOW

HOW THIS CAPITAL CREATES AND PRESERVES VALUE

Deploying natural capital resources inherently erodes value as land, energy and water are used. At ADvTECH we strive to minimise this erosion by reducing our energy and water consumption through green initiatives. Importantly, we also educate our students about the importance of using natural resources responsibly.

Natural capital inputs and KPIs

Value outcomes

- 107 (2020: 66) Environmental projects supported through our CSI *(value preserved)*
- All buildings and projects undergo environmental impact studies to comply with relevant environmental legislation and properties are designed and built to minimise our environmental impact *(value preserved)*
- Water consumption down by 9% *(value created)*
- Target set for 6% reduction in electricity by 2023 *(value created)*
- All South African operations have implemented water efficiency measures including real-time water consumption measurement, waste-reduction and efficiency-improvement installations and rapid-response capacity for water leak detection and repair *(value created)*
- Environmental awareness is integrated into our education curriculum *(value created)*

Value created | Value preserved

Material matters considered

MM 1 MM 5

Other capitals impacted

MC SC FC

SDGs supported

4 QUALITY EDUCATION; 11 SUSTAINABLE CITIES AND COMMUNITIES; 13 CLIMATE ACTION; 15 LIFE ON LAND; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Stakeholders impacted

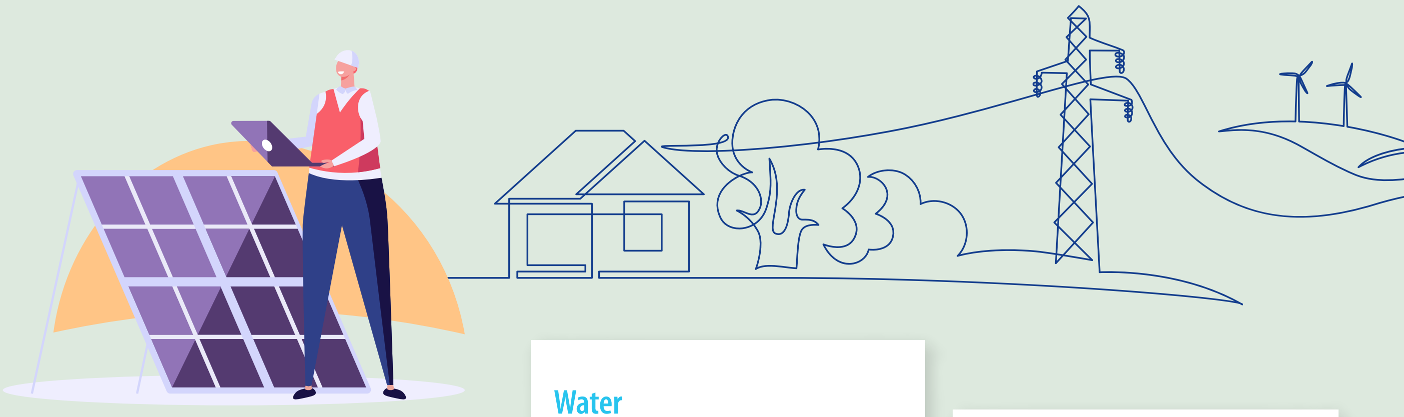
Strategic objectives supported

SO 1 SO 5 SO 6

CLICK TO SEE ICON DESCRIPTIONS

OUTLOOK

- Continue to explore feasible solutions to reduce our carbon footprint.
- Continue to educate students about the importance of protecting the natural environment.



HOW WE MANAGE NATURAL CAPITAL

While ADvTECH's environmental footprint impact is not significant, given the nature of our product offering the group follows a sound environmental policy. We practice and teach environmental stewardship to our employees, students and communities to help preserve our country's natural assets for future generations.

Sustainability and environmental education are priorities at ADvTECH to generate environmental awareness and hands-on experience for students.

ADvTECH's goals

Minimising our environmental footprint by reducing our energy and water consumption

Ensure ongoing environmental awareness

Provide practical and hands-on environmental education

Progress in 2021

CARBON FOOTPRINT

ADvTECH is committed to reducing its environmental impact on an ongoing basis. While we do not currently measure our carbon emissions, the initiatives discussed below and alongside have assisted in offsetting our footprint. This aligns with the dual purpose of our teaching method, through education and leading by example.

Transforming infrastructure

Preserving the natural environment is integral to any maintenance or development work done at our existing or new schools. This applies to all our projects including new buildings, the conversion/renovations of existing buildings and, where possible, we repurpose acquired buildings. During the design process of greenfields buildings, classrooms and campuses, we ensure that buildings are environmentally friendly and designed to maximise natural light and air flow to reduce energy consumption to heat or cool the facilities.

Energy

ADvTECH's goal is to reduce energy consumption across its schools and campuses by 6% over the next two years. The installation of smart metering devices allows ADvTECH to monitor electricity usage, which helps save on costs and detects excessive consumption. In addition, electricity meters on all sites measure actual usage to cross-check the accuracy of local council billings.

Energy efficient initiatives implemented or planned groupwide include:

- Awareness and behavioural change initiatives
- Installation of smart electricity metering devices at various campuses to monitor actual consumption
- Installation of 2 570 LED lights and 98 light sensors
- Installation of timers on eight under-sink geysers at our head office
- Timers on air-conditioning units
- Solar panels and wind-powered devices under consideration

Water

ADvTECH's students and employees depend on municipal water for daily operations, with the water quality dependent on the supply source. We have some filtration devices to ensure improved water quality. The use of fresh water is limited to drinking or cleaning. Where possible, schools have boreholes for irrigating sports fields and landscaped areas. Where schools cannot use boreholes, rainwater tanks have been installed for gardens and sports fields. Reduction of water consumption is ongoing or planned for each site and consumption awareness training has been introduced. The installation of water meters is ongoing and will assist in accurately reporting usage and setting reduction targets.

Water reduction measures implemented, or planned, groupwide include:

- Installation of 85 electronic water and electricity meters that provide real-time data
- Forty sites have shown a 42% reduction in water usage
- Installation of motion-sensor water taps with water restriction spouts for new or renovated bathrooms

Recycling

Various recycling programmes are in place at most ADvTECH sites. This waste recycling project also includes training initiatives for the cleaners on site. All green waste generated from garden maintenance is recycled, with 800 cubic metres of green waste (South African sites) recycled in 2021.

Biodiversity

Providing school infrastructure requires large areas of land where development may impact the biodiversity of the area. All potential new sites therefore undergo an environmental impact study to determine if development is suitable for the natural environment. Mitigation strategies are applied to the designs and plans where necessary to ensure that all new sites adhere to environmental standards. ADvTECH strives to minimise these negative impacts at development sites. We are not aware of any significant or potentially negative environmental impacts at our sites.

CASE STUDY

Pecanwood College,

now in its 11th year as an Eco school, has a specific environmental SDG focus

Environmental education is incorporated into our curriculum, along with annual themes from the Eco-School programme. The school is also ideally situated to raise awareness about relevant environmental issues and it offers internationally accredited qualifications that ensure students are intellectually and environmentally aware. In 2021 Pecanwood hosted a number of events and fundraisers with these themes detailed alongside:

WATER: Pecanwood College started monitoring the school's water usage in 2020, with the main goal being to conserve water and reduce wastage. The college partnered with AQUAffection, which now provides weekly water flow reports, along with other helpful measures, such as the ability to detect a water leak quickly. Quantifying levels of water usage accurately enables Pecanwood to take effective action to improve usage where possible. Students also attended various presentations by AQUAffection that provided facts about South Africa's water crisis and taught students easy ways to save water and reduce usage.

WASTE: Various projects focused on educating students about waste at an individual and planetary level. These projects included recycling initiatives that taught students about the harmfulness of plastics and other waste materials for animals and the planet, as well as ways of using waste materials to produce recycled products (e.g. school desks, bags or shoes).

WORLD TURTLE DAY in May 2021 was celebrated by the entire college, with students donating to adopt a rescued turtle at Cape Town's Two Oceans Aquarium. The students receive regular updates on the turtles' progress to promote awareness around the fragility of marine wildlife. Other projects that marked environmental specific events include: World Recycling Day, World Oceans Day, World Rhino Day, World Environment Day and Earth Hour.

TREES: A new tradition will be introduced whereby the grade 8's will plant a tree to symbolise the start of their high school journey and take care of the tree throughout high school. The goal is to take a step towards improving the air quality around the school as the trees grow.

BOARD OF DIRECTORS

COMMITTEES

A Audit and Risk Committee | I Investment Committee | N Nominations Committee
R Remuneration Committee | T Transformation, Social and Ethics Committee
Chairperson

CHRISTOPHER BOULLE (50)

Chairman, Independent non-executive director

BCom, LLB, LLM (WITS)

APPOINTED 2013

COMMITTEE MEMBERSHIP

N T

Strategic value contribution:

- Corporate governance
- Corporate and trust law
- Commercial, finance and tax law
- Mergers and acquisitions
- Transformation and leadership development

ROY DOUGLAS (64)

Executive director, Group Chief Executive Officer

BSocSci (Economics) UKZN, MBA (UCT)

APPOINTED 2015

COMMITTEE MEMBERSHIP

I T

Strategic value contribution:

- International commerce and management
- Strategy, marketing, business development and general management
- Mergers and acquisitions

JACQUELINE CHIMHANZI (DR) (48)

Independent non-executive director

BSc (Hons), MBA, PhD (Cardiff)

APPOINTED 2017

COMMITTEE MEMBERSHIP

A T

Strategic value contribution:

- Strategy development and execution
- Marketing
- Business development
- African enterprises

KONEHALI GUGUSHE (46)

Independent non-executive director

BCom Accounting (Rhodes University), CA(SA)

APPOINTED 2020

COMMITTEE MEMBERSHIP

A T

Strategic value contribution:

- Financial and investment analysis
- Credit risk management
- Business management
- Strategy formulation
- Risk management
- Governance

SYBILE LAZAR (63)

Independent non-executive director

Certified Public Accountant CA, Maîtrise de Sciences Financières et Comptables (MBA equivalent, major in Finance and Accounting), University of Paris-Dauphine, France

APPOINTED 2021

COMMITTEE MEMBERSHIP

I N

Strategic value contribution:

- Investment banking
- International finance
- Finance risk management
- Private equity
- Governance
- Strategy and leadership
- Merger and acquisitions

MONDE NKOSI (31)

Non-executive director

B.Bus.Sci. (UCT), MBA (Stanford), MA Education (Stanford)

APPOINTED 2021

COMMITTEE MEMBERSHIP

I N R

Strategic value contribution:

- Corporate finance and capital allocation
- Mergers and acquisitions
- Corporate strategy
- Education policy and research

DIDIER OESCH (56)

Executive director, Group Commercial Director and Chief Financial Officer

BCompt (Hons) UNISA, CA(SA)

APPOINTED 2005

COMMITTEE MEMBERSHIP

I

Strategic value contribution:

- Financial management and commerce
- Mergers and acquisitions
- Corporate finance
- Corporate governance

CLIVE THOMSON (55)

Independent non-executive director

BCom (Hons) (UCT) MPhil (Cantab) CA (SA)

APPOINTED 2021

COMMITTEE MEMBERSHIP

I A R

Strategic value contribution:

- Business leadership and strategy
- Corporate restructuring, acquisitions and disposals
- Corporate finance and treasury
- Governance and risk management

KEITH WARBURTON (63)

Independent non-executive director

BCom, CTA (UCT), CA(SA)

APPOINTED 2015

COMMITTEE MEMBERSHIP

A R I

Strategic value contribution:

- Commerce and corporate management
- JSE Listed entities and corporate governance
- Investment management
- Mergers and acquisitions
- Strategy and business development

Lead independent non-executive director

CORPORATE GOVERNANCE REPORT

Effective and ethical corporate governance is the cornerstone upon which the governing body (the board) and management of the ADvTECH group is based. The board embraces its responsibility for ensuring that the principles of sound corporate governance are observed and incorporated into the group's leadership and management. This culminates in specific governance outcomes which creates value for our key stakeholders.

The directors, collectively and individually, acknowledge their fiduciary duties in terms of the Companies Act, King IV™ and the JSE Listings Requirements. ADvTECH's King IV™ register, which sets out how the group has applied these principles is available on our website www.advtech.co.za.

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

Achieving governance outcomes

The board remains committed to the principles of King IV™ that ultimately lead to the governance outcomes as depicted below. This is achieved by effective and ethical leadership through continuously reassessing the group's strategy, internal controls, policies, terms of reference, procedures and processes, taking into consideration the recommendations contained in King IV™.

Governance value proposition

INPUTS

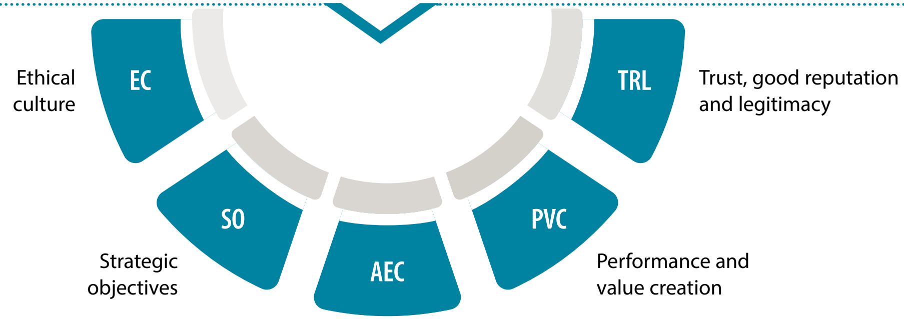
THE BOARD
diverse/skilled/experienced/defined mandates and roles and responsibilities

1. **Governs** ADvTECH's ethics and sets the ethical tone from the top
2. **Approves** ADvTECH's strategic direction
3. **Oversees** internal controls, policies and procedures
4. **Instils** a culture of trust, legitimacy and accountability
5. **Monitors** ADvTECH's strategic performance and value creation

OUTPUTS

Good governance to ensure quick access to reliable information and good communication to stakeholders. Assisting executives in building a positive reputation and a healthy culture within the business

TO ACHIEVE OUTCOMES



VALUE PROPOSITION AND PURPOSE

Quality education, training and placement/customer focus/innovation

Support delivery of STRATEGIC OBJECTIVES

SO 1, SO 2, SO 3, SO 4, SO 5, SO 6, SO 7

To make a difference for OUR STAKEHOLDERS

CLICK TO SEE ICON DESCRIPTIONS

Governance structure

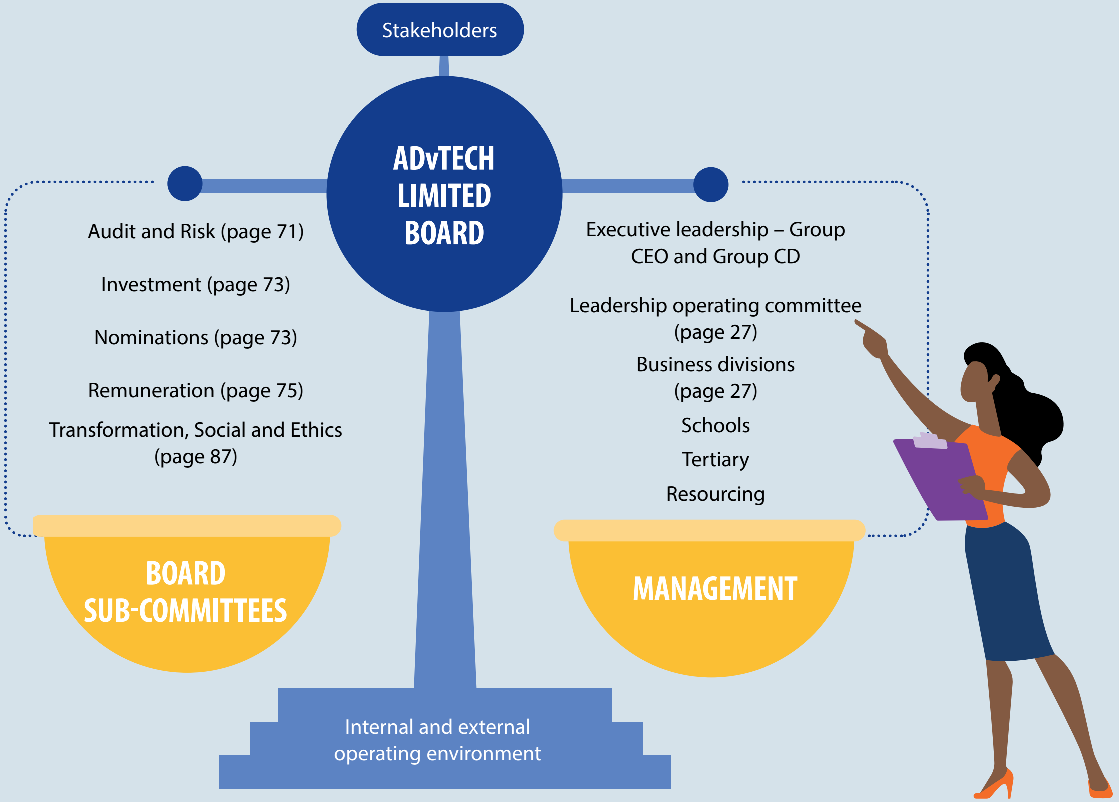
ADvTECH has a unitary board structure that oversees the management and governance control structure, which directs the organisation in its entirety. The board retains full and effective control over the group and monitors executive management's implementation of plans and strategies.

The board has, through an approved delegation of authority, delegated the implementation and execution of the approved strategy to executive leadership through the group CEO. Executive leadership is responsible for the effective control of all group operational activities, acting as a decision making body and a medium of communication and co-ordination between the various divisions, group companies and the board.

The leadership operating committee, as tabled on page 27, is responsible for making recommendations to the board regarding the group's policies and strategies and for monitoring their implementation and execution in accordance with the board's directives. For these purposes, the leadership operating committee has access to the expertise of board members and attend board meetings, when appropriate.

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

Governance framework



Board focus areas 2021

Board focus areas 2021	Governance outcome
Evaluated the performance and effectiveness of the board and its committees	Strategic objectives ➔ Board effectiveness
Exploring rest of Africa growth opportunities	Strategic objectives ➔ Growth
Reviewed and approved the annual financial statements for the year ended 2020	Responsible reporting
Approving shareholders' dividends	Strategic objectives ➔ Performance and value creation
Approved the appointment of new non-executive directors as recommended by the Nominations Committee	Board diversity and independence
Reviewed the board and committee composition structure in line with King IV	Adequate and effective control

Having regard for the board focus areas during the year under review, the board addressed the strategic objectives of growth and capital productivity.

Board committees

The board has delegated certain of its responsibilities to its committees to assist in the execution of its duties and responsibilities more effectively. There are currently five committees. The delegation of authority to the board committees does not absolve the board from its accountability. The board and its committees are furnished with full information from management ahead of each meeting, ensuring that all relevant issues are brought to the attention of directors for deliberation.

Board members are appointed to committees based on their areas of expertise and experience. To satisfy the requirement for the committee composition in terms of King IV™, each committee consists of a minimum of three members, the majority of which are independent non-executive directors. A chairperson is appointed from the members of each committee.

Delegation to committees is given by means of a formal charter that is reviewed annually and any material changes recommended to the board for approval. The board and its committees are satisfied that the board and committees have fulfilled their responsibilities in accordance with their respective charters for this reporting period.

The table below sets out the board attendance during the year under review:

Name of director	King IV™ classification	Board meeting attendance
CH Boulle (chair)	INED	5/5
JS Chimhanzi	INED	5/5
KM Gugushe	INED	5/5
JM Hofmeyr *	INED	2/2
SS Lazar ****	INED	2/2
MM Nkosi***	NED	3/4
CB Thomson**	INED	5/5
KDM Warburton	INED	5/5
J Zimmermann*	INED	2/2
SA Zinn *****	INED	5/5
RJ Douglas	ED	5/5
JDR Oesch	ED	5/5

* *JM Hofmeyr and J Zimmermann retired by rotation at the AGM on 27 May 2021.*
** *CB Thomson was appointed on 12 March 2021.*
*** *MM Nkosi was appointed on 1 April 2021.*
**** *SS Lazar was appointed as director on 1 October 2021.*
***** *SA Zinn retired with effect from 31 December 2021.*

Board changes

The following directorship changes have occurred since the publishing of the 2020 annual integrated report:

Directors	King IV™ classification	Change	Effective date
JM Hofmeyr	INED	Retired by rotation	27 May 2021
J Zimmermann	INED	Retired by rotation	27 May 2021
SS Lazar	INED	Appointment	1 October 2021
SA Zinn	INED	Retired	31 December 2021

The board would like to thank JM Hofmeyr, J Zimmermann and SA Zinn for their dedication and contributions over the years and wishes them well in their future endeavours. The board would also like to welcome SS Lazar and looks forward to her contribution to the board.

Annual rotation

In terms of the company's memorandum of incorporation (MoI), one-third of all non-executive directors must retire by rotation annually. The appointment of a new director is subject to approval by shareholders at the first AGM held following their appointment.

Directors who have served the longest since their last re-election are selected for rotation at the end of each year. The board has also adopted the policy that all non-executive directors who have served on the board for a period of nine years or longer and/or have reached the age of 70 or older must stand for re-election on an annual basis. A non-executive director may not serve on the board for a tenure of longer than 12 years.

In compliance with the MoI and King IV™, KDM Warburton, JS Chimhanzi and KM Gugushe will retire by rotation and stand for re-election at the AGM.

Board composition

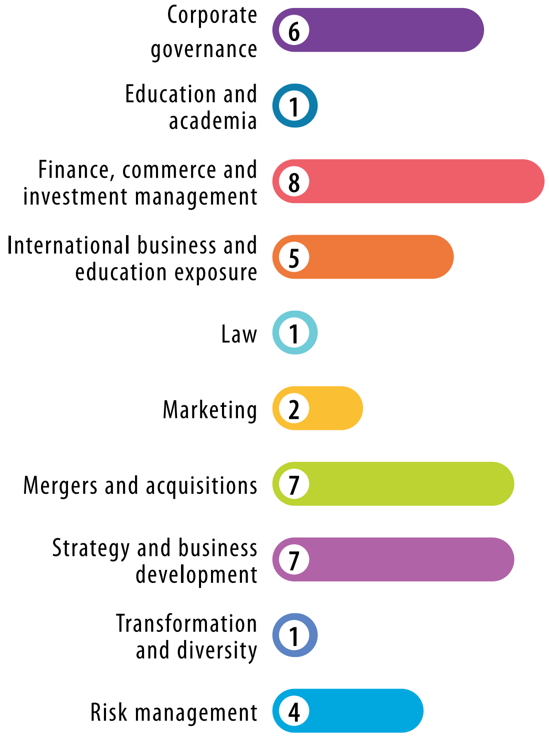
The board comprises nine directors, with seven non-executive directors and two executive directors, the latter being the group CEO and GCD. All but one of the non-executive directors are independent. There is a balance of power on the board and no single individual or group of individuals has unfettered powers to dominate the decision making of the board. The roles of the chairman and group CEO are separate, each with clearly defined responsibilities as set out in the board charter.

Executive directors and prescribed officers have standard employment contracts, requiring no more than three months' notice of termination, except for the group CEO, which requires six months' notice.

Board skills/experience

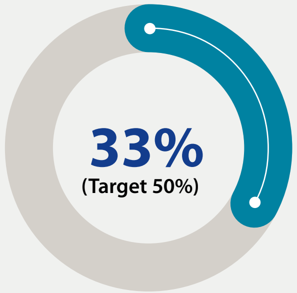
The board comprises of an appropriate balance of knowledge, skills, experience, age, gender, race, diversity and independence to fulfil its role and responsibilities to stakeholders. The directors, individually and collectively, have extensive experience and specialist skills across a range of sectors necessary to fulfil their role and responsibilities.

Skills matrix



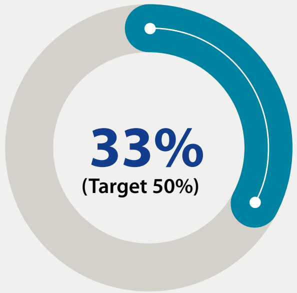
Board gender and diversity

The board continues to pursue diversity, particularly from a gender perspective, as this will promote different perspectives and problem-solving approaches.



BLACK REPRESENTATION

FY2020: 36%



FEMALE REPRESENTATION

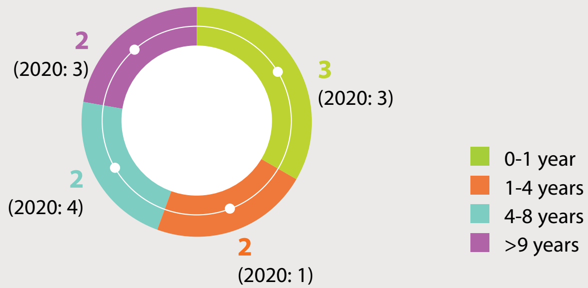
FY2020: 36%

The board's diversity policy, which is aligned with the JSE Listings Requirements, takes into account diversity attributes of gender, race, culture, age, field of knowledge, skills and experience. Progress towards these targets is monitored by the Transformation, Social and Ethics Committee (TSEC) who make recommendations to the board for approval.

Independence

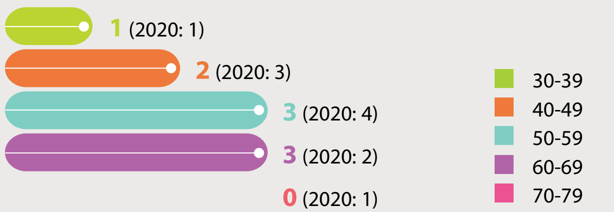
The board comprises a majority of independent non-executive directors. In terms of the principles of good corporate governance, an assessment of the independence of all non-executive directors was conducted. The board concluded that, in its view, all but one of the non-executive directors are independent and there is no interest, position, association or relationship which, when judged from the perspective of a reasonable and informed third party, is likely to unduly influence or cause bias in their decision making.

Board tenure



Age diversity

The group's succession plan is reviewed periodically and includes succession plans for the chairperson, board members and the group CEO and makes provision for succession in both emergency situations and over the longer term.



Lead independent director

Following the resignation of Dr SA Zinn, KDM Warburton was appointed as lead independent director to:

- Lead in the absence of the chair;
- Chair discussions and decision making by the board on matters where the chair has a conflict of interest;
- Act as an intermediary between the chairman and other members of the board, where necessary;
- Deal with shareholders' concerns where contact through normal channels has failed to resolve concerns or where such contact is inappropriate; and
- Lead the performance appraisal of the chair.

The role and responsibilities of the lead independent director are included in the board charter, which is reviewed and approved annually by the board.

Ethics and effective leadership

The board sets the ethical tone and governs the group's ethics in a manner that supports an effective corporate culture within the group. TSEC oversees the group's adherence to these ethical standards and keeps the board apprised of any material ethical matters that may arise. Integrity is fundamental to how the group conducts its business and is expressed in its values as well as interaction with key stakeholders. The group has various processes, policies, codes and controls in place to embed an ethical culture. Employees are required to act with the utmost integrity and objectivity and in compliance with both the letter and the spirit of the law and group policies.

Values

The group's values encapsulate our work ethic. These values are communicated to all employees during induction and emphasised regularly.

- Ethics
- People centeredness
- High quality
- Sustainability
- Respect, diversity and inclusion
- Caring and responsible leadership

United Nations Global Compact (UNGC)

ADvTECH embraces the 10 UNGC principles which cover human rights, the labour environment and anticorruption.

Organisation for Economic Co-operation and Development (OECD)

The group adheres to the guidelines for multinational enterprises regarding anti-corruption.

Please refer to page 1 for more information on reporting frameworks.

Conflict of interest declarations

Members of the board disclose any conflict of interest they may have at the commencement of each board meetings and, as a matter of practice, are required to sign a disclosure of any potential conflicts of interest on an annual basis.

A director or employee is prohibited from using his or her position, or confidential or price-sensitive information, to the benefit of himself or herself or any related party.

MM Nkosi has disclosed to the board that he is currently a board member of Adcorp and will recuse himself from a meeting in the event of a potential conflict of interest.

Related-party transactions

The following related-party transactions were disclosed by directors and executive management during the year under review:

Directors

- JS Chimhanzi has been awarded a Crawford International bursary for her child in terms of the group's bursary policy.
- JDR Oesch has been awarded Crawford International bursaries for his children in terms of the group's bursary policy.
- RJ Douglas has been awarded a Vega bursary for his child in terms of the group's bursary policy.

Prescribed officers

The board has identified MD Aitken, DL Honey and FJ Coughlan as prescribed officers in terms of the Companies Act. They are also members of the leadership operating committee.

DL Honey has been awarded the following bursaries for his children in terms of the group's bursary policy:

- Crawford International; and
- Vega.

His brother, E Honey, is a director of Adams & Adams Attorneys, which firm provides legal services in respect of intellectual property to the group.

Dr FJ Coughlan has been awarded the following bursaries for her financial dependents in terms of the group's bursary policy:

- Vega;
- Abbotts College;
- Crawford International; and
- Pinnacle College.

Dr FJ Coughlan has resigned subsequent to year end.

Operating leadership committee

V Crawford has been awarded Crawford International bursaries for her children in terms of the group's bursary policy.

S van Zyl has been awarded the following bursaries for his children in terms of the group's bursary policy:

- Crawford International; and
- Vega.

Stakeholder relationships

The board follows a stakeholder-inclusive approach that balances the needs, interests and expectations of key stakeholders (see page 46) in the group's best interests. Stakeholder engagement takes place at various levels within the group. All material concerns, including the quality of stakeholder relationships, are regularly monitored and reported to the TSEC. The chairperson of TSEC provides regular feedback to the board on any material concerns. This stakeholder-inclusive approach is a demonstration of ADvTECH's integrated thinking.

Material concerns raised by key stakeholders, during the year under review, are listed on page 48 together with the group's response.

Board evaluation

The board of directors analyses and evaluates its effectiveness in line with King IV™ with a formal evaluation conducted every two years and an informal internal self-evaluation every alternate year. An external formal evaluation was conducted during 2020 by the Institute of Directors South Africa (IoDSA) and an informal internal self-evaluation during 2021. These evaluations did not reveal any significant areas of concern and concluded that the board and board committees effectively discharged their respective responsibilities. Areas which have been identified for improvement will be addressed during the current financial year.

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.

Board appointment and removal

The board, assisted by the Nominations Committee, is responsible for recommending new director appointments or filling a vacancy. The Nominations Committee evaluates suitable candidates and submits recommendations to the board for approval. This process considers factors such as knowledge, skills, experiences, personality types, age, gender and race in order to achieve a broad and diverse board composition that will serve the best interests of the group.

The appointment of a new director is subject to approval by shareholders at the first AGM held following 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 duties and responsibilities.

Directors are required to disclose their directorships to ensure they are not overcommitted in terms of their representation on other listed or unlisted boards and have sufficient time available to fulfil the responsibilities as a director on the ADvTECH board and committees. These disclosures are reviewed on an annual basis.

Notwithstanding the provisions of any contract, the company may, by ordinary resolution, remove any director from office and appoint another person in his/her stead as contemplated in Section 71 of the Companies Act.

During the year under review, SS Lazar was appointed as an independent non-executive director to the board and will stand for election and approval by the shareholders at the AGM to be held on 26 May 2022.

Board committees

Audit and Risk Committee (ARCom)

ARCom is constituted as a statutory committee in terms of section 94(7) of the Companies Act. As required by the Companies Act, shareholders elect the members of the ARCom at the AGM. All members of the committee are independent as defined by the Companies Act. The board has recommended the following non-executive directors be appointed to the ARCom at the AGM in May 2022, to hold office until the following AGM:

KDM Warburton (chair);

JS Chimhanzi;

KM Gugushe; and

CB Thomson.

The committee meetings are attended by the internal and external auditors, the group CEO and GCD, as well as other board members and invitees as considered appropriate by the chairperson of the committee. The committee also ensures that, as a minimum, it meets with the external auditors at least once a year without management being present.

The board, on recommendation of the ARCom, recommends the appointment of the external audit firm to the shareholders at the AGM. The Board will be recommending the appointment of Ernst & Young Inc. as auditors for the ensuing year at the AGM to be held on the 26 May 2022.

Committee members	King IV™ classification	Meeting attendance
KDM Warburton (chair)	INED	4/4
JS Chimhanzi	INED	4/4
KM Gugushe	INED	4/4
CB Thomson	INED	4/4
Invitees		
CH Boulle	INED	4/4
RJ Douglas	ED	4/4
JDR Oesch	ED	4/4

Focus areas 2021

Audit

- Monitored the integrity of the financial statements of the company, including its annual and half-yearly reports, preliminary results announcements and any other formal announcement relating to its financial performance.
- Reviewed key judgements and significant matters raised by management and internal and external audit to ensure the accuracy and integrity of financial data disclosed.
- Reviewed the dividend proposals to ensure the group has sufficient resources to make distributions.
- Evaluated the adequacy and effectiveness of the internal control environment.
- Evaluated the independence, effectiveness and performance of the internal audit function.
- Reviewed and approved the annual internal audit plan as well as the annual internal audit budget, ensuring the inclusion of material risk areas, acceptable coverage of business processes and that all reporting requirements were met.
- Recommended to shareholders the appointment of the external auditors for the ensuing financial year.
- Reviewed and approved the external auditors' 2021 annual plan, scope of work, audit fees and considered the key audit matters in the external audit report.
- Reviewed the 2020 annual financial statements and annual integrated report.
- Oversaw the preparation of the Audit Committee report for inclusion in the annual financial statements.
- Assessed compliance with all other statutory requirements in terms of section 94(7) of the Companies Act of 2008, King IV™, JSE Listings Requirements and any other applicable regulatory requirements, and confirmed that no reportable irregularities were identified and reported by the external auditors in terms of the Auditing Profession Act, 26 of 2005.
- Made recommendations and additions to contribute towards the strengthening of the greater risk management environment.
- Considered the effectiveness of the group CFO, Mr JDR Oesch.
- Reviewed the group CEO and GCD sign-off on the internal controls declaration.
- Recommended the appointment of the new auditors for shareholder approval.

Outlook

Ensure that financial reporting meets the requirements of IFRS, the Companies Act and King IV™, monitor and oversee compliance of key pieces of legislation relevant to the business, the effectiveness of control measures and the independency of external auditors. These assist in achieving the governance outcomes of adequate and effective control and trust, good reputation and value creation.

Risk

- Refined the risk policy for the group, IT and rest of Africa risk registers as well as the identification of an appropriate risk appetite and risk tolerance threshold.
- Monitored and oversaw the group, IT and rest of Africa risk registers, which include data privacy and cyber risk.
- Monitored and assessed the material risks and ensured risk mitigation strategies were timeously actioned.
- Monitored the regulatory environment and compliance therewith.
- Monitored the macro-economic environment.
- Recommended further strengthening of the risk management process.
- Ensured that the group remains operationally and financially resilient during and after the COVID-19 pandemic.

Outlook

Ensure all major risks relevant to the business are identified and contained in the risk register, remedial plans remain efficient and effective to mitigate and manage risks to ensure the governance outcomes of adequate and effective control and trust, good reputation and value creation.

See page 14 for the risk management section.

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 but one member of RemCom are independent non-executive directors.

The committee determines and approves the remuneration policy for all employees. The chairman of the board, group CEO and group HR executive attend the meetings by invitation, but do not participate in any deliberations regarding their own remuneration. The GCD is occasionally invited to attend the meetings to report on areas within his expertise.

Committee members	King IV™ classification	Meeting attendance
SA Zinn (chair) (member up to 28 November 2021)	INED	3/3
KDM Warburton (appointed as chair as from 29 November 2021)	INED	3/3
JM Hofmeyr (retired by rotation at the AGM on 27 May 2021)	INED	1/1
J Zimmermann (retired by rotation at the AGM on 27 May 2021)	INED	1/1
MM Nkosi (appointed as a member on 1 April 2021)	NED	3/3
CB Thomson (appointed as a member on 29 November 2021)	INED	n/a
Invitees		
CH Boulle	INED	3/3
RJ Douglas	ED	3/3
JDR Oesch	ED	1/1

Focus areas 2021

- Ensured the remuneration policy is aligned to and promotes the achievement of the group's strategic objectives and encourages individual performance.
- Ensured that annual guaranteed pay, benefits and incentives are appropriately benchmarked to ensure the group is competitive in the employment market.
- Reviewed and approved the performance evaluation of the group CEO, GCD and other executives against agreed deliverables.
- Reviewed incentive schemes to ensure alignment to shareholder value creation and that the schemes are administered in terms of the rules.
- Reviewed the remuneration of non-executive directors and recommended the fees for approval by the shareholders at the next AGM.
- Ensured that the remuneration policy and implementation report is put to a non-binding advisory vote at the AGM of shareholders once every year and oversaw the preparation of the remuneration report to be included in the annual integrated report.
- Approved outcomes for the 2018 LTI and the 2021 awards.
- Approved the STI outcomes for the 2020 financial year and set targets for 2021.

Outlook

Ensure the implementation of an appropriate reward policy to attract and motivate employees. Recommend to the board on remuneration packages for directors and executives. Reviewing of the remuneration framework and terms and conditions of employment.

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. TSEC, in terms of this broader mandate, is responsible for the oversight of and reporting on the group's ethics, responsible corporate citizenship, sustainable development, stakeholder relations and transformation. TSEC takes into consideration the needs, interests and expectations of all material stakeholders, in the best interest of the group.

Committee members	King IV™ classification	Meeting attendance
JM Hofmeyr (chair) (retired by rotation at the AGM on 27 May 2021)	INED	1/1
KM Gugushe (appointed as chair on 26 May 2021)	INED	3/3
SA Zinn (stepped down as a member of the TSEC on 28 November 2021)	INED	3/3
JS Chimhanzi (appointed as a member 26 May 2021)	INED	2/2
RJ Douglas	ED	3/3
CH Boulle (appointed as a member on 29 November 2021)	INED	n/a
Invitees		
V Crawford (HR Executive)	LOC	3/3
DL Honey (CEO resourcing)	PO	3/3

Focus areas 2021

- Managed stakeholder relations in terms of sustainability, ethics, and transformation.
- Reinforced a culture suitable for offering quality education and learning.
- Drove strategies to improve the group's B-BBEE accreditation.
- Ensured continued focus on employment equity.

Outlook

Monitor and report to board on the performance of the group against its social, ethical, transformational targets. Ensure a culture of non-discrimination within the organisation to ensure good corporate citizenship.

Nominations Committee (NomCom)

NomCom consists of three non-executive directors and is chaired by the chair 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 take place.

Committee members	King IV™ classification	Meeting attendance
CH Boulle (chair)	INED	3/3
JM Hofmeyr (retired by rotation at the AGM on 27 May 2021)	INED	1/1
SA Zinn (member up to 28 November 2021)	INED	3/3
MM Nkosi (appointed as a member on 1 April 2021)	NED	2/2
SS Lazar (appointed as a member on 29 November 2021)	INED	n/a
Invitees		
RJ Douglas	ED	3/3

Focus areas 2021

- Considered the composition of the board and its committees and made recommendations to the board in this regard.
- Considered the board performance assessment and action plans.
- Considered board and executive succession plans.
- Ensured effective induction of new directors.
- Considered new directors as identified in succession plans and appointed new directors.

Outlook

Review of the board composition having regard to the skills and experience of each board member. Where the necessary skills are lacking, identifying the best way to rectify and making recommendations to the board in this regard. Ensure an effective succession plan for key stakeholders to ensure business continuity.

Investment Committee

Members of the Investment Committee comprise of non-executive directors, all but one are independent, the group CEO and the GCD.

Committee members	King IV™ classification	Meeting attendance
CH Boulle (chair) (stepped down as member of the committee on 28 November 2021 and will attend meetings as an invitee going forward)	INED	2/2
CB Thomson (appointed as chair on 29 November 2021)	INED	2/2
KDM Warburton	INED	2/2
J Zimmermann (retired by rotation at the AGM on 27 May 2021)	INED	n/a
MM Nkosi (appointed as a member on 1 April 2021)	NED	2/2
RJ Douglas	ED	2/2
JDR Oesch	ED	2/2

Focus areas 2021

- Reviewed and considered the financial and other aspects of material investment or disinvestment activity.
- Determined the most appropriate and advantageous method of funding material investments and the most effective capital structure of the company and group in pursuing its investment strategy.
- Approved 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.
- Conducted post implementation reviews of acquisitions and major investments.
- Assisted in the acquisition strategy of the group.

Outlook

Ensure responsible capex allocation. Monitor capital investments by way of post-implementation capex reviews and ensuring lessons learned are taken into account with new investments.

Company Secretary

The Company Secretary provides the directors, both collectively and individually, with guidance as to their duties, responsibilities and powers and the impact of legislative and regulatory developments impacting the group. The company secretary is independent and has unrestricted access to the board.

An arm's length relationship exists between the company secretary and the board. The company secretary is not a member of the board but attends board meetings in the discharge of the company secretary's functions and maintains records of meetings.

Ms CB Crouse was appointed as group company secretary effective 1 January 2021. The board is satisfied that the company secretary has the necessary qualifications, skills and level of competence necessary to effectively discharge her responsibilities and is a fit and proper person.

Corporate responsibility

We strive for excellence and sustainability in meeting the needs of today, without compromising those values for future generations. In doing so, we are proud to make a meaningful difference to the people we serve through our core business activities and ongoing engagement with key stakeholders.

Our main sustainability contribution is to educate students from preschool to tertiary level about the importance of long-term environmental, social and governance awareness and to lead by example in our everyday decisions. ADvTECH's sustainability approach incorporates various policies, standards and procedures relating to our economic environmental and social performance.

Please read more about our social and environmental impact on pages 52 and 62.

Compliance governance

The board oversees compliance with its approved compliance framework and in accordance with good governance. ARCom is responsible for continual monitoring of the regulatory environment and appropriate responses to changes and developments that may impact the group and reporting on any significant changes to the board. For the purposes of POPIA and to ensure compliance on an operational level, the group has appointed a Group Information Officer (GIO), together with Deputy Information Officers, who attends the privacy forum meeting on a quarterly basis. The group has further implemented a privacy help desk where all privacy related incidents are logged for tracking and resolution purposes.

The legislation and regulations listed below, constitute relevant obligations on the group, amongst others.

Legislation and regulations

- Companies Act 71 of 2008;
- JSE Listings Requirements;
- King IV Report of Corporate Governance™ in South Africa;
- Employment Equity Act;
- Broad-Based Economic Empowerment Act and related Codes of Good Practice;
- The South African Schools Act;
- The National Credit Act;
- The Consumer Protection Act;
- The Competition Act;
- Protection of Personal Information Act (POPIA);
- Value-Added Tax Act;
- Income Tax Act;
- Higher Education Act;
- National Qualifications Framework Act;
- General and Further Education and Training Quality Assurance 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 local and foreign legislation and regulations.

Please read more on the regulatory environment page 10.

There were no material or repeated regulatory penalties, sanctions or fines for contraventions of statutory obligations in the 2021 financial year.

Group ICT steering committee

The group ICT steering committee reports to the board through the ARCom and is responsible for the governance of technology and information and sets the direction for how technology should be approached and addressed.

The committee is chaired by the group CEO, with S van Zyl being the CIO and designated information officer. The committee meets on a quarterly basis to report on its duties in accordance with its terms of reference. The strategic intent of group IT is documented and communicated in the group IT strategy and is aligned with the enterprise strategy.

The board oversee risk management and it is satisfied that IT governance is properly managed and aligned with business needs and strategy. It is also satisfied that the disaster recovery programme will support the continuity of critical business processes.

REMUNERATION COMMITTEE REPORT

The group is committed to creating a culture of high performance as well as attracting and retaining high calibre employees to assist us in achieving our strategy and providing acceptable shareholder returns.

Dear shareholder

I have pleasure in enclosing herewith the group remuneration report, which includes the background statement, remuneration policy and the implementation report for the financial year ended 31 December 2021.

In this tough environment that we are currently operating in, and the uncertainty of the economic outlook, the committee has spent a considerable amount of time to continue to ensure a balance between company needs and expectations of executives, as well as the expectations of shareholders and all stakeholders.

The committee had certain membership changes during the year under review. Dr SA Zinn stepped down as chair and member of the committee on 28 November 2021 and I would like to thank her for her valuable contribution during her tenure. I would like to welcome MM Nkosi and CB Thomson as members to the committee and look forward to their contributions.

The focus areas of the committee for the year under review is set out under the background statement together with the future focus areas, please refer to page 76 in this regard.

The committee continues to monitor and review the remuneration policy to ensure fair, responsible and transparent remuneration while balancing positive outcomes in the short-, medium- and long-term.

The remuneration policy and implementation report will again be tabled at the AGM on 26 May 2022 where shareholders would be requested to cast a non-binding advisory vote on the policy and report.

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

Appropriate governance structures exist at and below board level, to recognise and retain top talent and fairly reward employees.

The composition, number of meetings held and attendance at such meeting are shown on page 72.

On behalf of the Remuneration Committee

K Warburton
Remuneration Committee chair
17 March 2022

SECTION 1 Background statement

Background statement

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

Engagement with shareholders

We are pleased to confirm that, as a result of extensive shareholder engagement and changes to our remuneration policy (that included the introduction of a malus and clawback policy), our remuneration policy was supported by 98.36% of our shareholders and our implementation report by 98.46% at our AGM held on 27 May 2021.

Results of the non-binding advisory vote

	Remuneration policy		Implementation report	
	2021	**2020**	**2021**	**2020**
Votes in favour	**98.36%**	57.61%	**98.46%**	81.65%
Votes against	**1.64%**	42.39%	**1.54%**	18.35%
Abstentions	**1.34%**	0.09%	**1.34%**	5.81%

The remuneration policy and implementation report will be presented to shareholders for a non-binding advisory vote at the AGM. Notwithstanding that the JSE Listings Requirements only calls for engagement with shareholders in the event that 25% or more of the shareholders vote against either or both, ADvTECH remains committed, as in previous years, to continue engaging with shareholders, in accordance with the format and requirements of the JSE Listings Requirements, to ensure a balance between company needs and expectations of executives, as well as the expectations of shareholders.

During the year under review, ADvTECH engaged two major shareholders, Alan Gray and Coronation, on the STI bonus disclosure requirements and have aligned the remuneration policy with best practice and shareholder expectations.

Recommendations from shareholders

Shareholders' recommendations	ADvTECH's amendments
Enhancement of the MSR policy.	Enhanced the MSR policy. At least 50% of the executives' vested retention share awards and at least 30% of vested performance share awards must be retained until the MSR target has been achieved.
Increased disclosure around threshold and stretch targets for the short-term incentive bonus scheme.	Additional disclosure has been included in this report. Please refer to pages 80, 81 and 83.

Committee focus areas

During the year under review, RemCom focused on the following areas:

- Ensured the remuneration policy is aligned to and promotes the achievement of the group's strategic objectives and encourages individual performance;
- Ensured that annual guaranteed pay, benefits and incentives are appropriately benchmarked to ensure the group is competitive in the employment market;
- Reviewed and approved the performance evaluation of the group CEO, GCD and other executives against agreed deliverables;
- Reviewed incentive schemes to ensure alignment to shareholder value creation and that the schemes are administered in terms of the rules;
- Reviewed the remuneration of non-executive directors and recommended the fees for approval by the shareholders at the next AGM;
- Oversaw the preparation of the remuneration report, to be included in the annual integrated report;
- Ensured that the remuneration policy and implementation report is put to a non-binding advisory vote at the AGM of shareholders once every year;
- Approved outcomes for the 2018 LTI and the 2021 awards; and
- Approved the STI outcomes for the 2020 financial year and set targets for 2021.

Going forward, RemCom will focus on:

- Reviewing the remuneration policy and practices to ensure continued alignment with King IV™ and best practices;
- Obtaining feedback, addressing possible concerns and implementing recommendations from shareholders regarding the group's remuneration policy and implementation report;
- Reviewing and approving STI scheme targets;
- Ensuring that the search for skilled employees and rewarding of existing skills remains a priority;
- Reviewing and approving the LTI awards and targets; and
- Approving the STI scheme outcomes for 2021 and the outcome of the 2019 LTI scheme that vests in 2022.

Fair and responsible pay

In determining what constitutes fair, responsible and transparent remuneration while balancing positive outcomes in the short-, medium- and long-term, RemCom considered various internal and external factors that influence remuneration. Some of the external factors include the prevailing economic climate, inflation and market benchmarks, while internal factors include the group's performance and affordability, responsibilities and internal benchmarks. Equal pay for work of equal value continues to be a focus and is achieved by the assigning of grades to similar jobs through making use of the Paterson grading model and aligning the salary ranges to those grades.

Due to the economic environment in 2021, the impact that the pandemic had on our parents and the decision taken not to increase school fees in 2021, no salary increases were awarded in 2021 to employees within the Schools and Resourcing divisions as well as Support Office. The Tertiary division received a muted increase in line with the financial performance of the business.

For 2022, and due to the fact that no increases and/or muted increases were awarded in 2021 and taking into account the strong performance of the group, the committee approved the proposal for salary increases in line with Consumer Price Inflation (CPI), subject to affordability and enrolment growth.

The committee further approved a once off ex-gratia payment in the sum of R1 250 per employee, totalling an amount of R4.9 million, for all non-management staff falling within the A, B and C grade bands as a token of appreciation and gratitude for their hard work, which amount was paid in December 2021.

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

A new teacher remuneration structure was introduced which seeks to reward and position behaviour that aligns with the group's strategic objectives. The new remuneration structure was well received by employees, and we look forward to the positive impact that this will have on the group and our strategic objective of academic excellence.

The committee further considered and approved the non-executive directors' fees and has made recommendations to the board for approval. This will be put forward for shareholder approval at the next AGM to be held in May 2022.

SECTION 2 Remuneration policy

Remuneration policy

The purpose of remuneration is to reward employees fairly and appropriately for their contribution and business success. The group's remuneration philosophy entrenches a culture of high performance by aligning the elements of remuneration directly to the business objectives, employee performance, values, purpose and strategy.

The goals of our remuneration strategy are to:

- Attract and retain high-quality talent and scarce skills that provide world-class education and recruitment expertise;
- Motivate and reward high performance to drive a culture of superior performance;
- Provide fair pay and incentives in line with our high standards of corporate governance;
- Minimise barriers to career development and mobility; and
- Ensure compliance with all the applicable regulatory requirements.

Key remuneration principles of our philosophy that shape and guide our remuneration policy and support value creation:

ADvTECH is a knowledge-based business and its intellectual property is vested in people. As employment costs are our largest expense, the remuneration policy is critical to the success of the business;

Recognition of equal pay for work of equal value across the organisation;

Employees in sales may qualify for commission; and

Performance management provides the governance framework within which the remuneration policy is implemented.

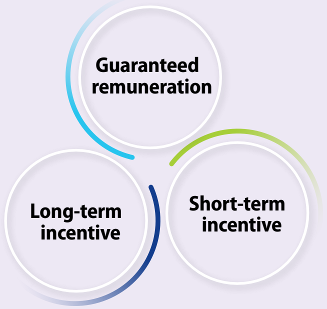
RemCom ensures that remuneration practices are based on principles of sound governance and is of the view that the remuneration policy has achieved its stated objectives for the year under review.

Key to this process is RemCom's independence in determining the remuneration and bonus policies for all employees, and the review and approval of remuneration and bonuses payable to key senior executives.

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

Remuneration structure

Remuneration is structured to attract and retain employees 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 senior management employees, with the same three elements as set out alongside.



ADvTECH's remuneration core elements

Executive remuneration structure

Our remuneration policy seeks to achieve a suitable balance between guaranteed and variable remuneration. Variable STI and LTI awards are each limited to a maximum of 100% of guaranteed remuneration in the case of the group CEO and 80% for the group CD. RemCom considers this to be an appropriate structure to reward achievement of both short- and long-term objectives.

Remuneration component	ADvTECH's policy	Type of pay
Guaranteed remuneration Includes salary and employee benefits on a cost to company basis	• Reflects individual contribution and market value relative to the role and to recognise skill and experience. • Determined by the complexity of the role, market value and the ongoing review of the employee's personal performance and contribution to the group's overall performance and values. • Reviewed annually with increases taking effect in April.	**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 respective KPAs. The participant's potential eligibility percentages will depend on the participant's job grade with the threshold for executive directors as follows: • Group CEO (maximum of 100% of guaranteed remuneration). • Group CD (maximum of 80% of guaranteed remuneration).	**Variable pay** Paid annually
Long-term incentive bonus scheme	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. The maximum award in terms of the management share incentive (MSI) scheme is as follows: • Group CEO (maximum of 100% of guaranteed remuneration). • Group CD (maximum of 80% of guaranteed remuneration).	**Variable pay** Awarded annually and vests after three years

Benchmarking of guaranteed remuneration

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

Group CEO and GCD

The group CEO's and group CD's total achievable remuneration packages, as reflected below are based on the maximum targets under the short- and long-term incentives schemes. RemCom considers this to be an appropriate mix to reward achievement of both short- and long-term objectives.

		Variable remuneration at achievement of stretch target	
	Guaranteed remuneration	Short-term incentive	Long-term incentive
Group CEO	33.4%	33.3%	33.3%
Group CD	38%	31%	31%

Short-term incentives

Objective

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

Eligibility

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

STI formula

Bonus paid if targets are met:

Annual guaranteed package x ***Potential eligibility (%)*** x ***Weighted average score of achievement***

Balanced scorecard

Financial KPAs

Earnings before interest and taxation (EBIT) 40%

Return on funds employed 30%

Non-financial KPAs

These KPAs are aligned to the group's strategic objectives (page 29) and mitigation of key risks to ensure the groups long-term standing. Each executive's personal KPAs are aligned to the above, based on their portfolio and the areas under their influence. 30%

Thresholds

The threshold is set at 97% of budget and a stretch target of 103%. Bonuses are earned on a straight-line basis starting from 0% at threshold and 100% at the stretch target level. Achieving budget would result in a 50% pay-out ratio.

Committee discretion

RemCom approves the targets, the measurement of their achievement against these targets and the resultant bonuses to be paid. RemCom has discretion to award an *ex gratia* bonus in exceptional circumstances. This includes where an individual has delivered exceptional results despite 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 ex-gratia bonuses were paid in the current period under review other than as noted in the background statement relating to all non-management staff in grade bands A, B and C. No discretionary amounts were paid to executive and prescribed officers.

Long-term incentives: Management Share Incentive (MSI) scheme

The MSI scheme provides annual awards of forfeitable shares in the form of performance and retention shares to eligible participants. The shares automatically vest in full after three years, on the achievement of the set targets and provided the individual is employed on the vesting date and that a minimum individual performance rating has been achieved over the three-year period.

	Shares	Vests/vested
27 September 2018	2 266 166	2021
18 September 2019	3 064 911	2022
16 September 2020	4 705 127	2023
21 May 2021	2 817 017	2024

Unvested shares carry dividend rights as well as voting rights. To be eligible to receive an award of forfeitable shares under the MSI, participants were required to relinquish their rights under the old scheme (share incentive scheme 2010) and all rights to vesting of the old scheme from 2021 onwards were forfeited. RemCom considers the following regarding retention awards:

- 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 promotes

- Good performance in relation to predetermined performance objectives.
- Retention of valuable skills and experience.
- Enhanced alignment of executives' awards with shareholder interests.

Objective

- Drive the longer-term strategic and sustainable performance of the group.
- 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 the group.
- Facilitate succession planning.
- Alignment with current market practice and King IV™.

Eligibility

- Executive directors
- Prescribed officers
- Senior executives
- Managers

MSI formula

Number of shares awarded x ***Weighted average score of achievement***

Balanced scorecard

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.**

Committee discretion

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

- Individual participants based upon retention need;
- Level of awards based on market benchmarks;
- Allocation of awards between performance and retention shares;
- Classification of termination (good or bad leaver) on a case-by-case basis;
- Performance measures, weightings and targets; and
- Vesting period and basis of vesting.

2018 and 2019 awards

Target 1 **75%** NEPS	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%** ROFE*	Minimum target of weighted average cost of capital (WACC)** +2% with the maximum shares awarded at WACC +6%

2020 and 2021 awards

Target 1 **60%** NEPS	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 **40%** ROFE*	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 are 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 serve notice periods. In terms of the group's policy, all non-executive directors who have served on the board for nine years or longer or who are 70 years of age or over are required to stand for re-election on an annual basis. A non-executive director may not serve on the board for longer than 12 years.

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:

Non-executive directors	**None**
Group CEO	**6 Months**
Group CD	**3 Months**
Prescribed officers	**3 Months**

Malus and clawback policy

During 2020, ADvTECH adopted a malus and clawback policy with the intention of aligning shareholder interests and the remuneration outcomes of employees. It allows the group to reduce or recoup the incentive remuneration in defined circumstances and is applicable to all ADvTECH employees who participate in the variable incentive remuneration programme.

Trigger events where the malus and clawback policy would be implemented include, but are not limited to:

- Where a material misstatement resulted in an adjustment in the audited consolidated accounts of the company or the audited accounts of any member of the group; and/or
- Where any information used to determine the quantum of an incentive remuneration amount was based on an error, or inaccurate or misleading information; and/or
- Where any action or conduct of a participant which, in the reasonable opinion of the board, amounts to serious misconduct; and/or
- Where any events or behaviour of a participant or the existence of events attributable to a participant, which led to the censure of the company or a member of the group by a regulatory authority, or have had a significant detrimental impact on the reputation of the company; and/or
- The board or RemCom, in their discretion, deems it necessary to apply malus or clawback.

Minimum shareholder requirements policy

ADvTECH has adopted a MSR policy with the intention to align shareholder interests with executive objectives and to drive an increased level of executive accountability for the longer-term sustainability of the organisation.

The policy is based on the following principles:

- Each executive's MSR target is determined using the individual guaranteed annual remuneration;
- The target must be achieved within five years from approval of this policy (March 2021) or from the start date in the case of new appointees, unless otherwise determined by the RemCom considering market conditions and related factors;
- The scheme is not intended to compel executives to incur debt to acquire ADvTECH shares, but rather that executives should retain shares acquired through the operation of share incentive schemes;
- At least 50% of the executives' vested retention share awards and at least 30% of vested performance share awards must be retained until the MSR target has been achieved;
- Compliance to the MSR target will be measured annually and executives will have to declare the extent of their personal shareholdings in the company at each year-end; and
- RemCom will assess compliance with the MSR before making future discretionary LTI awards.

The MSR targets are set as follows:

CEO	**1 x**	**Guaranteed annual remuneration at year end**
GCD	**0.8 x**	
Prescribed officers	**0.6 x**	

If the executive or senior manager fails to reach the MSR within the specified period, the non-compliance will be flagged to RemCom, who will be required to determine appropriate action and steps required for the executive to meet the MSR based on the circumstances for non-compliance.

Non-binding advisory vote 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 Thursday, 26 May 2022. Our remuneration policy sets out the principles used to ensure competitive remuneration while complying with all applicable laws and codes. This policy 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 2022.

SECTION 3 Implementation report

The implementation report sets out the information and amounts pertaining to the applications of the remuneration policy in relations to executive and non-executive directors.

Guaranteed remuneration: Executive directors, prescribed officers and senior executives

Due to the economic environment in 2021 and the decision taken not to increase school fees as set out in the background statement, increases for 2021 were only provided to executives in the tertiary division, where they were linked to CPI and adjusted according to individual performance ratings.

Executive directors increase FY2021

- The group CEO and GCD did not receive an increase in 2021.

Prescribed officers increases FY2021

- Michael Douglas Aitken (schools division) received no increase;
- Felicity Jane Coughlan (tertiary division) received a muted increase; and
- Derek Lenn Honey (resourcing division), having forfeited his increase for the FY2020 due to the impact the pandemic had in his area of the business and receiving no increase for the 2021 increase cycle, was awarded an increase in September 2021 as a result of the significant improvement in the resourcing business.

Short-term incentives

During the year under review, the operating profit and ROFE stretch targets were achieved.

Financial KPAs

	Actual 2020	Budget	Threshold	Stretch target	Actual achievement
Operating profit	R909.5 million	R990.0 million	R960.3 million	R1 019.7 million	R1 108.3 million
ROFE	13.9%	14.8%	14.4%	15.2%	16.6%

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.

Non-financial KPAs

Strategic objectives	Target measures	Weightings: Group CEO	Weightings: GCD	Target achieved
SO 1 Academic excellence	Delivery of superior teaching and learning methodologies; competitive global performance benchmarking; and learning analytics and expert insights.	10%	–	Achieved
SO 2 Growth	Organic and acquisitive growth; growth in product, channel, market segmentation, and geographic footprint.	55%	25%	Achieved
SO 3 Customer focus	Delivery of an end-to-end service to customers driven by an understanding of, and responsiveness to customer needs.	10%	–	Significant progress
SO 4 Educational productivity	Optimise organisational processes and structures.	5%	10%	Significant progress
SO 5 Human capital productivity	Delivery of a high performance, high engagement culture through positioning the right people in the right roles to drive levels of excellent productivity.	5%	10%	Significant progress
SO 6 Capital productivity	Delivery of an efficient portfolio of brands to drive an effective return on assets and optimisation of cost structures.	–	40%	Achieved
SO 7 Excellence through specialisation	Achieved by targeting high demand niche markets with special skills and continuously refreshed candidate database.	10%	–	Achieved
Risk mitigation	All non-financial KPAs are underpinned by delivering robust employment equity initiatives, rigorous governance structures and financial controls.	5%	15%	Achieved
Total		**100%**	**100%**	
KPA outcomes of executives		**84%**	**87%**	

Target

Achieved | Significant progress | Progress | Insufficient progress

Please refer to our strategic objectives on page 28

Outcome of executive bonuses

KPAs	Weighing	Achievement GCEO	GCD
Operating Profit	40%	40%	40%
ROFE	30%	30%	30%
KPAs	30%	25%	26%
Total	**100%**	**95%**	**96%**

Directors and prescribed officers

Emoluments paid to executive directors and prescribed officers of the group (excluding gains on share options exercised) for the years ended 31 December 2021 and 2020, are set out below:

Name of directors	Salary R	Long service award R	Bonus R	Expense allowances R	Provident fund contributions R	Total 2021 R
Executive						
RJ Douglas	4 095 255		4 588 973	180 000	545 095	**9 409 323**
JDR Oesch	3 065 699		2 787 438	150 000	410 002	**6 413 139**
Total executive	**7 160 954**	**–**	**7 376 411**	**330 000**	**955 097**	**15 822 462**
Prescribed officers						
MD Aitken	2 599 655	6 000	2 328 307	292 524	203 974	**5 430 460**
FJ Coughlan	2 669 261	–	–	232 524	347 981	**3 249 766**
DL Honey	2 987 819		2 780 819	189 444	393 187	**6 351 269**
Total prescribed officers	**8 256 735**	**6 000**	**5 109 126**	**714 492**	**945 142**	**15 031 495**

Emoluments paid to executive directors and prescribed officers of the group for the year ended 31 December 2020

Name of directors	Salary R	Long service award R	Bonus R	Expense allowances R	Provident fund contributions R	Total 2020 R
Executive						
RJ Douglas	4 034 756	–	1 446 105	180 000	537 381	6 198 242
JDR Oesch	3 020 194	16 000	870 168	150 000	404 200	4 460 562
Total	**7 054 950**	**16 000**	**2 316 273**	**330 000**	**941 581**	**10 658 804**
Prescribed officers						
MD Aitken	2 566 739	6 000	743 077	287 556	201 505	3 798 877
FJ Coughlan	2 555 967	–	569 764	227 556	333 536	3 702 823
DL Honey	2 650 128		441 949	186 840	381 722	3 660 639
Total	**7 772 834**	**6 000**	**1 754 790**	**701 952**	**916 763**	**11 162 339**

Long-term incentives

The directors and prescribed officers were awarded the following shares at 31 December 2021:

Name of directors	Share awards as at 31 December 2020 Number	Share awards awarded during 2021 Number	Share awards vested during the year Number	Share awards vested during the year Benefit arising on vesting of awards (R)	Share awards forfeited during 2021 Number	Share options as at 31 December 2021 Number
Directors						
RJ Douglas	301 758		163 048	2 828 883	138 710	–
	397 162					**397 162**
	607 097					**607 097**
		354 177				**354 177**
JDR Oesch	171 300		92 558	1 605 881	78 742	–
	238 985					**238 985**
	365 310					**365 310**
		213 120				**213 120**
Prescribed officers						
MD Aitken	155 793		84 179	1 460 506	71 614	–
	205 048					**205 048**
	311 955					**311 955**
		181 993				**181 993**
FJ Coughlan	110 079		59 478	1 031 943	50 601	–
	155 747					**155 747**
	239 196					**239 196**
		145 127				**145 127**
DL Honey	171 180		92 493	1 604 754	78 687	–
	242 198					**242 198**
	349 265					**349 265**
		203 759				**203 759**
Total	4 022 073	1 098 176	491 756	8 531 967	418 354	**4 210 139**

MSI scheme

Outcomes of the 2018 awards against targets

	Weighting	Target		Achieved total	Percentage of shares vested
		Threshold	Stretch		
NEPS	75%	84.7	103.0	91.7*	38.3%
ROFE (3 year average)	25%	13.2%	17.2%	14.8%	40.0%

* *Adjusted to align with the accounting polices that were in place in 2018, being the base year off which the targets were set. This was done by excluding the impact of IFRS 16 that was subsequently adopted.*

Vesting outcomes of all participants

The 2018 awards vested in 2021

	Shares awarded 2018	Shares vested 2021
Performance shares	1 547 256	549 499*
Retention shares	718 911	633 756
Total number of shares awarded	**2 266 166**	**1 183 255**

Note: The 2019, 2020 and 2021 awards vest in 2022, 2023 and 2024 respectively.

* *The performance shares include 407 546 and 141 953 in relation to the NEPS and ROFE targets respectively.*

LTI

Outcomes – executives and prescribed officers

Name of executive	Shares awarded	Shares vested				Shares forfeited
		Retention	NEPS	ROFE	Total	
Executive						
RJ Douglas	301 758	75 440	64 976	22 632	163 048	138 710
JDR Oesch	171 300	42 826	36 885	12 847	92 558	78 742
Total	**473 058**	**118 266**	**101 861**	**35 479**	**255 606**	**217 452**
Prescribed officers						
MD Aitken	155 793	38 949	33 546	11 684	84 179	71 614
FJ Coughlan	110 079	27 519	23 703	8 256	59 478	50 601
DL Honey	171 180	42 794	36 860	12 839	92 493	78 687
Total	**437 052**	**109 262**	**94 109**	**32 779**	**236 150**	**200 902**

Outcomes of executive directors remuneration against maximum

	Guaranteed remuneration	Variable remuneration at achievement of stretch target		Total
		Short-term incentive	Long-term incentive	
Maximum potential remuneration				
Group CEO	33.4%	33.3%	33.3%	100%
Group CD	38.0%	31.0%	31.0%	100%
Achieved				
Group CEO	33.4%	31.6%	18.0%	83.0%
Group CD	38.0%	29.8%	16.8%	84.6%

Share incentive scheme

The directors and prescribed officers held the following share options at 31 December 2021:

	Share options as at 31 December 2020		Share options lapsed during the year		Share options exercised during the year			Share options as at 31 December 2021
Name of directors	**Number**	**Exercise price (cents)**	**Number**	**Exercise price (cents)**	**Number**	**Market price at exercise date (cents)**	**Benefit arising on exercise of options (R)**	**Number**
Directors								
RJ Douglas	50 000 55 533	1 260 1 696			50 000	1 618	179 000	– **55 533**
JDR Oesch	50 000 41 100	1 260 1 696			50 000	1 548	144 000	– **41 100**
Prescribed officers								
MD Aitken	11 667	1 696						**11 667**
FJ Coughlan	72 000 30 133	1 260 1 696			72 000	1 844	420 480	– **30 133**
DL Honey	80 000 41 100	1 260 1 696			80 000	1 831	456 800	– **41 100**
Total	431 533		–		252 000		1 200 280	**179 533**

No new awards have been granted since the introduction of the MSI scheme in 2017. Shares remaining are as a result of the options previously due having rolled over into the 2022 window period due to the low share price in the previous window period. All share options still available need to be exercised during the FY2022 and the scheme will terminate at the end of 2022. Those shares not exercised will be forfeited.

Minimum shareholder requirements

Name of directors	Guaranteed annual remuneration	Direct shareholding as at 31 December 2021	Value of shareholding at the share price as at 31 Dec 2021 (R17.58)	MSR target	Actual ratio of shareholding as at 31 December 2021
Executive					
RJ Douglas	4 820 350	735 408	12 928 473	1,0	2,7
JDR Oesch	3 625 701	2 296 877	40 379 098	0,8	11,1
Prescribed officers					
MD Aitken	3 096 153	135 251	2 377 713	0,6	0,8
FJ Coughlan	3 291 971	162 560	2 857 805	0,6	0,9
DL Honey	3 674 444	7 401 038	130 110 248	0,6	35,4

Non-executive directors' remuneration

ADvTECH seeks to appoint and retain high calibre non-executive directors to ensure meaningful deliberations of the board. RemCom recommends to the board the fees to be paid to non-executive directors during the year. Non-executive directors' remuneration is based on a combination of an annual retainer and attendance fees.

The fees payable to non-executive directors were approved by special resolution of the shareholders at the AGM held on 27 May 2021, as required by the Companies Act.

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

Non-executive directors' fees	Votes in favour	Votes against	Abstentions
2021	**99.99%**	**0.01%**	**1.34%**
2020	93.90%	6.10%	1.55%

Non-executive directors' fees for 2021

Non-executive directors' fees are based on attendance of board, committee and ad hoc committee meetings. An additional fee is payable to the chair of the board and committees.

ADvTECH subscribes to two non-executive director reports: the PWC Non-Executive Directors Practices and Fees Trends Report, and the Deloitte Non-Executive Directors Report, both of which are considered in determining the annual increase proposal.

Non-executive directors' emoluments

Emoluments paid to non-executive directors of the group for the ended 31 December 2021, are set out below:

Name of directors	Board R	ARCom R	RemCo R	TSEC R	Investment Committee R	Total 2021 R	Total 2020 R
CH Boulle	597 436	–	–	3 843	92 138	**693 417**	667 683
JS Chimhanzi	330 570	102 037	–	40 473	–	**473 080**	490 161
BM Gourley	–	–	–	–	–	**–**	87 422
K Gugushe	330 570	102 037	–	99 099	–	**531 706**	414 795
JM Hofmeyr	131 059	–	20 742	44 513	–	**196 314**	468 871
JD Jansen	–	–	–	–	–	**–**	192 032
SS Lazar	124 915	–	–	–	3 942	**128 857**	–
SC Masie	–	–	–	–	–	**–**	228 259
MM Nkosi	229 086	–	37 712	–	38 001	**304 799**	–
C Thomson	292 718	91 714	3 388	–	40 892	**428 712**	–
KDM Warburton	330 570	186 525	62 702	–	52 295	**632 092**	605 093
JS Zimmermann	157 271	–	24 891	–	17 269	**199 431**	506 282
SA Zinn	330 570	–	80 944	66 533	14 293	**492 340**	512 388
Total non-executive	2 854 765	482 313	230 379	254 461	258 830	**4 080 748**	4 172 986

An amount of R382 628 (2020: R267 775) relating to value-added tax was paid on director fees.

Annual fees payable to non-executive directors

To better align with market benchmarks, the board, on recommendation by the committee, resolved to propose the following increases in non-executive directors' fees for 2022 which will be tabled at the next annual general meeting, to be held on Thursday, 26 May 2022 for shareholder approval:

- 6% base and attendance fee for the chair and members of the board;
- 6% base and attendance fee for the chair and members of the Audit and Risk Committee;
- 15% base and attendance fee for the chair of the Remuneration Committee;
- 10% base and attendance fee for members of the Remuneration Committee;
- 2% base and attendance for the chair and members of the TSEC; and
- 2% base and attendance fee for the chair and members of the Investment Committee.

The board further resolved to propose an initial base fee of R18 000 and attendance fee of R2 500 for the chair of the Nominations Committee and an initial base fee of R27 000 and attendance fee of R4 000 for members of the Nominations Committee.

Proposed annual fee: July 2022 to June 2023 (all fees are exclusive of VAT)

	2022		2021	
Board/committee	**Proposed retainer fee**	**Proposed fee per meeting attended**	Retainer fee	Per meeting attended
Directors	**213 566**	**28 475**	201 477	26 863
Audit and Risk Committee	**58 245**	**12 945**	54 948	12 211
Remuneration Committee	**41 562**	**6 716**	37 784	6 104
Transformation, Social and Ethics Committee	**43 710**	**9 713**	42 853	9 523
Investment Committee	**37 365**	**8 304**	36 632	8 141
Nominations Committee	**27 000**	**4 000**	–	–

Additional fee payable to chairman of board/committee:

	2022		2021	
Board/committee	**Proposed retainer fee**	**Proposed fee per meeting attended**	Retainer fee	Per meeting attended
Directors	**172 406**	**22 988**	162 647	21 687
Audit and Risk Committee	**48 227**	**10 718**	45 498	10 111
Remuneration Committee	**17 221**	**2 782**	14 975	2 419
Transformation, Social and Ethics Committee	**31 019**	**6 894**	30 411	6 759
Investment Committee	**32 881**	**7 307**	32 236	7 164
Nominations Committee	**18 000**	**2 500**	–	–

A premium of 20% payable to non-resident non-executive directors which was approved by shareholders and will be proposed again for 2022.

TRANSFORMATION, SOCIAL AND ETHICS COMMITTEE REPORT

ADvTECH's governing body (the board) sets the ethical tone from the top and instils a deep respect for the social, ethical, transformation and environmental matters facing the group. This forms part of the board's role in ensuring the group demonstrates its commitment to being a good corporate citizen.

ADvTECH's TSEC is constituted as a statutory committee of ADvTECH Limited in terms of section 72(4) of the Companies Act, No 71 of 2008 (the Companies Act), as read with regulation 43 of the Companies Act Regulations, and a committee of the board in respect of all the other duties assigned to it by the board.

The duties and responsibilities of the committee members are set out in the charter and are reviewed, together with the annual workplan, and approved by the board on an annual basis. TSEC assists the board in monitoring and reporting on the group's performance against its social, ethical, transformation, stakeholder relationships, anti-racism and other forms of discrimination and sustainability objectives and practices, to ensure that the organisation is a good corporate citizen. It also makes recommendations to the board in this regard.

The committee has an independent role with accountability to the board and shareholders. This report has been prepared in accordance with the requirements of the Companies Act, the Company's MOI, the JSE Listings Requirements and King IV™ report on corporate governance as well as other applicable laws. The report describes how TSEC has discharged its statutory duties, as well as additional duties assigned to it by the board during the year under review.

Committee members

TSEC consists of four members, three of whom are independent non-executive directors and the group CEO. All committee members are suitably skilled and collectively have sufficient knowledge and skill to fulfil their duties. The committee consists of the following members:

- KM Gugushe (chair)
- CH Boulle
- JS Chimhanzi
- RJ Douglas

The committee meetings are also attended by invitees, as required and necessary, to provide information and insights for the committee members on social, ethical and transformation matters within the group. These invitees include the CEO of the resourcing division, who is also a member of the resourcing transformation committee, the group Internal Audit Manager, who reports on ethics within the group, and the group HR executive who makes a valuable contribution to the committee from a group HR perspective.

The TSEC's charter requires that the committee meet as many times per annum as may be required to sufficiently discharge its duties, subject to a minimum of two meetings per annum. During the year under review, the committee met three times. Full details of the attendance are included in the corporate governance report (page 66).

KM Gugushe will report to the group's shareholders on matters within its mandate at the group's AGM to be held on 26 May 2022. Any specific questions for the committee must be sent to the company secretary prior to the AGM.

Role and responsibilities

TSEC operates in terms of a formal mandate that sets out its terms of reference, composition, roles, responsibilities and statutory duties. The mandate is reviewed on a regular basis (a minimum of once a year) and, where appropriate, amended. King IV™ expands on the role of the social and ethics committee as provided for in the Companies Act. In addition to its responsibilities of oversight of the implementation and reporting on good corporate governance obligations, stakeholder relationships, communication and reporting, it also has an important role to play in assisting the group to redress the imbalances of the past, whether they are social, economic or environmental, in the interests of future sustainability.

In accordance with its statutory duties, TSEC monitors and reports on the following:

- The group's compliance with applicable legislation, including the Companies Act, King IV™, the ten principles set out in the United Nations Global Compact and the recommendations of the OECD regarding corruption, the Employment Equity Act, the Skills Development Act and the Broad-Based Black Economic Empowerment Act (B-BBEE)
- The group's progress against annually approved targets for transformation in terms of the Employment Equity Act and B-BBEE Act
- CSI undertaken by the group within the operating divisions and at a corporate level, including the promotion of equality, the prevention of unfair discrimination, the reduction of corruption, the contribution to development of communities in which its activities are predominantly conducted and a record of sponsorship, donations and charitable giving
- The group's compliance with health and safety regulations and the environmental aspects of the business, including compliance with public relations and consumer protection laws
- The group's engagement with its stakeholders in accordance with its stakeholder policy, dispute resolution mechanisms and grievance policy

Key areas of focus

During 2021 TSEC reviewed and considered the matters listed below:

- The impact of the COVID-19 pandemic on all stakeholders;
- The group's public and consumer relations to improve and strengthen relationships with its stakeholders;
- Reports on the media coverage for the group;
- Reports on CSI projects undertaken by the group;
- The group's efforts to encourage diversity and advance the objectives of equality groupwide;
- The group's defined transformation objectives and targets;
- Reports on labour and empowerment related matters;
- The revised B-BBEE Codes of Good Practice, as well as its implications for the group;
- The group's B-BBEE rating to monitor progress against transformation targets;
- Continued monitoring of the group's talent succession plans and training programmes;
- The group's ethics hotline register, including results of internal investigations and actions taken;
- The committee's charter to ensure continued alignment with King IV™;
- The committee's annual work plan for the ensuing year;
- Collaboration with the industry on the newly proposed Education Industry Sector Charter; and
- Assessed the performance and effectiveness of the committee for the year under review.

Overview of certain focus areas

Transformation

TSEC is responsible for monitoring and reporting on transformation within the group to the board, to ensure groupwide transformation and its progress in increasing diversity and equality. Significant progress was made in terms of transformation across the group over the past few years and this remains an ongoing focus for the group.

The group actively promotes employment equity in all its operations. ADvTECH prides itself on employing highly skilled, highly qualified and extremely innovative individuals and understands that in order to achieve this, it must promote equal opportunities to all.

ADvTECH remains committed to achieving its five-year employment equity objectives to ensure employment is aligned to South Africa's national demographics. A talent review process is used to identify candidates from previously disadvantaged groups with potential to enable development and promotion.

A number of awareness campaigns were undertaken during the year under review with the purpose of educating employees on the varies types of disabilities and to encourage confidential reporting. As a result, disabilities were reported by several employees which enabled the organisation to provide the necessary support.

Anti-racism and discrimination – RDI campaign

ADvTECH's RDI campaign, launched in 2020, facilitates a culture based on the principles of respect, diversity and inclusion, where everyone knows they belong and feels comfortable to participate and contribute. The campaign has gained significant traction within the group during 2021. Please read more on page 45.

Our FaceUp smartphone application, an anonymous reporting app designed to empower individuals to report any discriminatory behaviour, continues to facilitate a safer and more trusting workplace.

Transformation – B-BBEE compliance and the promotion of B-BBEE in South Africa

The board plays a critical role in the development and empowerment of historically disadvantaged individuals in South Africa to promote transformation. TSEC is responsible for oversight of the group's transformation strategy. During the year under review, the committee consulted with external providers, competitors and regulators to better understand the B-BBEE landscape and how best the group can contribute to the overarching goal of B-BBEE. Our intention is to collaborate with the industry on the proposed industry charter, that can better reflect the contributions of the education sector to South Africa's transformation.

ADvTECH Resourcing (Pty) Ltd has been rated a Level 4 B-BBEE contributor, which resulted in a total procurement recognition level of 100% for the calculation of the weighted B-BBEE procurement spend.

Social

Sustainability objectives – COVID-19 pandemic and business operations

The COVID-19 pandemic and ongoing levels of restriction have had a significant impact on individuals and businesses globally. ADvTECH remains committed to providing a safe and healthy environment for all its stakeholders to ensure a sustainable working environment. The group ensures that it continues to adhere to the protocols issued in accordance with government directives, the Disaster Management Act, 2002 and its regulations.

Bursaries and CSI projects

TSEC monitors the group's progress in CSI. In keeping with the organisation's core business of education, the group has implemented a bursary programme for students. Approximately 13 685 students benefitted from the bursary programme. The total value of the bursaries awarded during the year under review amounted to R207 million (2020: R216 million).

In addition to investing in bursaries, the group supports various CSI projects consisting of 580 social projects and 66 environmental projects as shown on pages 52 and 62.

Stakeholder relations

ADvTECH continues to engage with its stakeholders to build positive and ongoing relationships with them, as well as manage negative situations. Stakeholder engagement and media coverage reports are reviewed at each meeting and regular engagement is embedded into the corporate communication culture. Investors and shareholders, students and parents, alumni, candidates and clients, employees, regulatory and professional bodies, the community and the media are all key stakeholders.

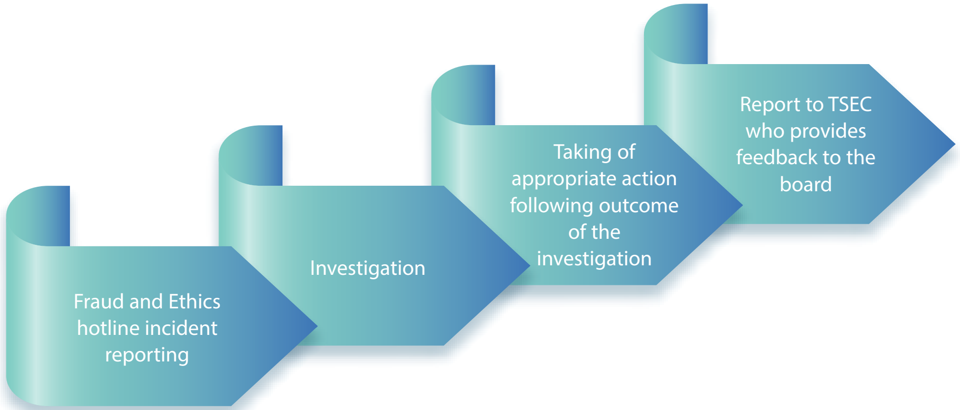
Engagement with these key stakeholders is explained on page 47.

Ethics

The board adheres to the principles of ethical leadership and creating an ethical culture. 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 how the group conducts its business and all activities. The values are reviewed regularly to ensure that they remain relevant.

ADvTECH's board is responsible for promoting an ethical culture within the group and this is supported by TSEC. Ethics are embedded in ADvTECH's code of conduct and a supplier code of conduct which applies to all employees, directors and stakeholders. In line with ADvTECH's zero tolerance policy towards fraud and corruption, all employees and stakeholders are encouraged to disclose any improper conduct or unethical behaviour through the fraud and ethics hotline that enables anonymous reporting. Necessary steps are taken against those who have been found guilty of unethical behaviour. Details of the fraud and ethics process is depicted below and the ethics hotline number and/or email are available on the group's website and intranet.

Fraud and ethics process



Policy review

All policies are reviewed by the committee to embed a high ethical standard and reinforce appropriate behaviour within the organisation.

Reporting

TSEC is satisfied 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

Kone Gugushe
TSEC chair
22 March 2022

Audited Annual Financial Statements

2021

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Directors' responsibility for financial reporting

The Companies Act, No 71 of 2008 of South Africa, as amended ("the Companies Act"), requires that a company must keep and maintain adequate accounting records. The directors are responsible for the content and integrity of the annual financial statements of ADvTECH Limited and its subsidiaries and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company and the group as at the end of the financial year and the results of its operations and cash flows for the year then ended in conformity with International Financial Reporting Standards ("IFRS"), the Companies Act and the JSE Listings Requirements. The external auditors are engaged to express an independent opinion on the annual financial statements.

In preparing the annual financial statements, the group used appropriate accounting policies, supported by reasonable and prudent judgement and estimates, and prepared the annual financial statements in accordance with IFRS. The directors are of the opinion that the annual financial statements fairly present the financial position of the company and the group as at 31 December 2021, and the results of its operations and cash flows for the year then ended. The directors have considered the company's and the group's past results, expected future performance and reasonable changes thereto, and access to its funding, material and other resources, and in light of this review and the company's and the group's current financial position, are satisfied that the company and the group have access to adequate resources to continue in operational existence for the foreseeable future as a going concern.

The directors are responsible for the systems of internal control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the annual financial statements, to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect material misstatement and loss.

Based on the results of a formal documented review of the group's system of internal control and risk management by the internal audit function during the year and the information and explanations given by management nothing has come to the attention of the directors which indicates that, in all material aspects, the group's system of internal control and risk management is not effective and that the internal financial controls do not form a sound basis for the preparation of reliable annual financial statements. The opinion of the directors is supported by the group's audit committee.

The consolidated and separate financial statements have been audited by the independent auditing firm, Ernst & Young Inc., who were given unrestricted access to all financial records and related data, including minutes of all meetings of the shareholders, the board of directors and committees of the board. The directors believe that all representations made to the independent auditors during the audit were valid and appropriate. Their unmodified report appears on pages 93 to 95.

The preparation of the group's consolidated financial statements for the year ended 31 December 2021 was supervised by JDR Oesch CA(SA), the group's Chief Financial Officer.

The annual financial statements of the company and the group set out on pages 102 to 158, which have been prepared on the going concern basis, were approved by the board of directors on 24 March 2022 and were signed on its behalf by:

CH Boulle
Chairman

RJ Douglas
Chief Executive Officer

JDR Oesch
Group Commercial Director and Chief Financial Officer

Certificate by Group Company Secretary

In accordance with the provisions of the Companies Act, I certify that, in respect of the year ended 31 December 2021, ADvTECH Limited has lodged with the Commissioner of the Companies and Intellectual Property Commission all returns and notices prescribed by the Companies Act and that all such returns and notices are true, correct and up to date.

CB Crouse
Group Company Secretary

24 March 2022

Chief Executive Officer and Chief Financial Officer's responsibility statement

The directors, whose names are stated below, hereby confirm that:

a) the annual financial statements set out on pages 102 to 158, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;

b) no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;

c) internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer; and

d) the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of King IV™. Where we are not satisfied, we have disclosed to the audit committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors, and have taken the necessary remedial action.

RJ Douglas
Chief Executive Officer

JDR Oesch
Group Commercial Director and Chief Financial Officer

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 and its subsidiaries ('the group') and company set out on pages 102 to 158, which comprise of the consolidated and separate statements of financial position as at 31 December 2021, the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate 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 and company as at 31 December 2021, 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 and company 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 of the group and company and 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 of the group and company and in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

The consolidated and separate financial statements of ADvTECH Limited and its subsidiaries ('the group') and company for the year ended December 31, 2020, were audited by another auditor who expressed an unmodified opinion on those statements on March 23, 2021.

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 and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the consolidated and separate financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and separate financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated and separate financial statements.

Independent Auditor's report

to the Shareholders of ADvTECH Limited *(continued)*

Key audit matter	How the matter was addressed in the audit
Assessment of the expected credit loss (ECL) allowance (Applicable to the consolidated financial statements)	
The trade receivables balance as at 31 December 2021 is R565 million (2020: R609 million), an expected credit loss allowance of R321 million (2020: R376 million) has been recognised against this balance as disclosed in note 20 of the consolidated financial statements. The calculation of the expected credit loss allowance per brand is based on an ECL model, in line with IFRS 9, where the inputs are subjective due to the high degree of judgment and estimation applied by management which is based on projecting future cash inflows from which the potential future write-offs are estimated. The projection of future cash inflows are highly subjective as it involves reviewing the ageing of the debtors per brand at year end and placing debtors into certain portfolio buckets per brand based upon certain parameters management applies to determine a potential credit rating. Historical information, including the ageing of the debtor, their payment history and whether the debtor is still with the brand are certain of the major parameters considered in determining risk factors. The projection also involves analysing subsequent receipts and reviewing historic write-offs to determine an appropriate loss allowance percentage to apply to the outstanding portfolio buckets. In addition, there has been complexity in forecasting due to the current economic environment which has experienced rapid changes. With the high estimation uncertainty in determining the allowance and effort involved in auditing it, we considered the expected credit loss allowance to be a key audit matter.	We performed the following procedures: • We held discussions with management to understand their ECL model and the specific inputs they have used. • Considered the appropriateness of the debtors impairment methodology applied by brand in the current year to the requirements of *IFRS 9: Financial Instruments*. • Assessed the reasonability of the level of provisioning at a brand level by comparing the prior year provision to the actual current year write-offs. • Compared projected cash inflows to historic actual cash inflows, including to cash inflows subsequent to year end per brand to assess the reasonableness of management's projected cash inflows. • Assessed the accuracy of the age analysis per brand by inspecting a sample of invoices issued and recalculating the ageing category. • Determined the reasonability of the assumptions made by management in determining the provision by performing a recalculation of the allowance based on historic actual cash inflows and write offs including reviewing student statements to confirm if they are still in the educational system. • Assessed the appropriateness and completeness of the related disclosures in the group financial statements against the requirements of IFRS.

Other information

The directors are responsible for the other information. The other information comprises the information included in the 69 page document titled "Audited Annual Financial Statements 2021", which includes the Directors' responsibility for financial reporting, Certificate by Group Company Secretary, Chief Executive Officer and Chief Financial Officer's responsibility statement, Audit and Risk Committee report and the Directors' report as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the Annual Integrated Report, which was made available to us after that date. Other information does not include the consolidated or the 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 identified above 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 and 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 company or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's report

to the Shareholders of ADvTECH Limited *(continued)*

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:

- 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 and 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 and 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 and separate 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, actions taken to eliminate threats or safeguards applied.

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 Ernst & Young Incorporated has been the auditor of ADvTECH Limited for one year.

Ernst & Young Inc.

Ernst &Young Inc.
Director: Charles Edgar Trollope
Registered Auditor
Chartered Accountant (SA)

25 March 2022

EY
102 Rivonia Road, Sandton

Audit and Risk Committee report

ADvTECH's Audit and Risk Committee (ARCom) is pleased to present this report, which was approved by the board and prepared in accordance with section 94(7) of the Companies Act, the Listings Requirements and King IV™ Code of Governance ("King Code").

ARCom is satisfied that it has performed both the statutory requirements for an Audit and Risk Committee as set out in the King Code, the Companies Act, the Listings Requirements, as well as the functions set out in the charter, and that it has therefore complied with its legal, regulatory and other responsibilities.

Membership and meetings

ARCom consists of four members, all of whom are independent non-executive directors and, as a whole, have the necessary financial literacy skills and experience to effectively execute their duties.

The Chairman of the board is not a member of this committee but attends by invitation.

The board recommends that the following non-executive directors, who are current members of the committee, who are eligible and have made themselves available for re-election be re-elected by the shareholders at the annual general meeting (AGM) on 26 May 2022 to hold office until the following AGM:

- KDM Warburton (Chairman);
- JS Chimhanzi;
- KM Gugushe; and
- CB Thomson.

ARCom meets four times per year as required by its charter. Meetings are attended by the internal and external auditors, the Group Chief Executive Officer (CEO) and Group Commercial Director and Chief Financial Officer (GCD), as well as other board members and invitees as considered appropriate by the committee's chairman.

ARCom's charter provides 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

ARCom's duties and responsibilities are a combination of statutory and oversight duties to ensure the effectiveness of the internal and external assurance providers, risk management process, 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.

External audit

ARCom performed the following functions in relation to the external audit of the group:

- nominated and recommended to shareholders that Ernst & Young Inc. be appointed as independent external auditors for the company and its subsidiaries and the appointment of C Trollope as the independent designated auditor for the company for the financial year ended 31 December 2021 in compliance with the Companies Act and the Listings Requirements;
- received confirmation from the external auditors that they are independent of the group and is satisfied that the external auditors are independent of the group;
- determined the fees to be paid to the auditors and set out the auditors' terms of engagement;
- determined the nature and extent of any non-audit services that the auditors may provide to the group, or that the auditor must not provide to the group; and
- pre-approved any proposed agreement with the auditors for the provision of non-audit services to the group.

Internal control

The board and leadership committees 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 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.

Audit and Risk Committee report

(continued)

Internal financial control attestation

ADvTECH continues to maintain a strong risk management culture and has implemented adequate and effective internal financial controls to ensure the integrity and reliability of the financial statements. These internal financial controls safeguard, verify and maintain accountability of ADvTECH's assets, are based on established policies and procedures and are implemented by trained and skilled personnel whose duties are duly segregated. Adherence with the implemented internal controls is monitored continuously by the ARCom.

The CEO and CFO have reviewed the controls over financial reporting, and presented their findings to the ARCom.

During the current financial year management identified no significant deficiencies in internal control over financial reporting of the controls evaluated throughout the year which address significant and high-risk areas.

The CEO and CFOs evaluation of controls included:

- The identification and classification of risks including the determination of materiality.
- Testing the design and determining the implementation of controls addressing significant and high-risk areas.
- Utilising internal audit to test the operating effectiveness of controls addressing high-risk areas.
- Obtaining control declarations from divisional managers on the operating effectiveness of all controls on an annual basis.

A formal remediation plan was developed to address control deficiencies identified in the prior year and these have been remediated during the current year. Continuous improvements in controls is an ongoing process and improvements and enhancements will be implemented in stages throughout the coming year.

The ARCom noted the CEO and CFO final attestation and concluded that ADvTECH's internal financial controls can be relied upon as a reasonable basis for the preparation of the annual financial statements.

Annual integrated report 2021

ARCom will evaluate the annual integrated report for the year ended 31 December 2021 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 Code, IFRS and the Listings Requirements.

Internal audit

The group's internal audit department has a specific mandate from the 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 committee and on an administrative basis to the GCD with direct access to the group CEO.

The internal audit coverage plan, which is subject to approval by the 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.

Internal audit provides an annual written assessment of the system of internal financial controls to the board and the committee. Nothing has come to the attention of the 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 requirements of the Companies Act and IFRS.

The external auditors, Ernst & Young Inc., were given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the board of directors, executive leadership committees and committees of the board.

The external and internal auditors have unrestricted access to the committee to ensure that their independence is in no way impaired. At least once annually (but generally prior to every meeting), the committee chairman meets independently with representatives of the internal and external auditors. 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.

Finance function

The committee has considered and is satisfied with the continued appropriateness of the expertise and experience of Chief Financial Officer (CFO), 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 year-end financial statements (and press announcements) and recommended them for adoption by the board;
- approved the internal audit charter and audit plans;
- received and reviewed reports from internal auditors, which included commentary on the effectiveness of the internal control environment, systems and processes and, where appropriate, made recommendations to the board;

Audit and Risk Committee report

(continued)

- received and reviewed S22 letter from Ernst & Young Inc. and were satisfied with appointing them for the year ended 31 December 2021;
- reviewed and considered the key audit matters as identified by the external auditors and was satisfied with the treatment of those matters in the financial statements;
- reviewed the independence of the external auditors, Ernst & Young Inc., and will recommend them for reappointment as auditors for the 2022 financial year at the AGM, with C Trollope as the designated auditor;
- reviewed the external auditor's report;
- determined the terms of engagement of the external auditors and the fees to be paid;
- concluded that, with the rotation of the audit firm, 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;
- reviewed the effectiveness of the group's assurance processes with particular focus on combined assurance arrangements including the external assurance audit, internal audit and the finance function; 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.

Risk functions

ARCom oversees the following risk functions:

- monitor and oversee the group's risk register, including the IT risk register and Rest of Africa risk register;
- monitor and assess the material risks as well as ensure the risk mitigation strategies are timeously actioned;
- oversee the development and annual review of policy and work plan for risk management for recommendation for approval by the board;
- make recommendations to the board concerning the levels of tolerance and risk appetite, and monitoring of risks to ensure these are managed within the levels of tolerance and appetite as approved by the board;
- monitor the regulatory environment as well as the macroeconomic environment;
- evaluation of the effectiveness of the risk management process; and
- ensure the group remains operationally and financially resilient during and after the COVID-19 pandemic.

On behalf of the Audit and Risk Committee

KDM Warburton
Chairman: Audit and Risk Committee

23 March 2022

Directors' report

for the year ended 31 December 2021

Your directors have pleasure in presenting their report on the activities of the group and company for the year ended 31 December 2021.

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 Consumer Services sector subsector Education Services 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 via face to face and online learning and the tertiary division offers quality education on diploma, degree and postgraduate levels via face to face, online and distance learning. The resourcing division is a significant force in the placement industry, particularly in the niche areas of IT, finance and engineering.

Financial results

The results for the year ended 31 December 2021 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 2020: 551 783 426
Number of shares in issue at 31 December 2021: 554 459 991

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.

Declaration of final dividend no. 23

Following a period of significant investment, the group is now benefiting from these investment returns. The trend of strong growth and cash generation is expected to continue, which together with the sound balance sheet and significantly reduced net borrowings, has given the board confidence to re-instate the payment of dividends at a similar cover ratio as was in place prior to the economic disruption caused by the COVID-19 pandemic. Therefore, the board is pleased to announce a final gross dividend declaration of 31.0 cents (2020: 20.0 cents) per ordinary share in respect of the year ended 31 December 2021.

This brings the full year dividend to 50.0 cents (2020: 20.0 cents) per share. This is a dividend as defined in the Income Tax Act, 1962, and is payable from income reserves. The South African dividend taxation (DT) rate is 20%. The net amount per share payable to shareholders, who are not exempt from DT, is 24.8 cents per share, while net amount per share is 31.0 cents for those shareholders who are exempt from DT.

Events after the reporting period

The Minister of finance announced on 24 February 2021 an intention to reduce the corporate taxation rate to 27% as well as the review of various taxation incentives and allowances. The Minister further announced on 23 February 2022 that the change is effective for years of assessment ending on or after 31 March 2023. This is considered a non-adjusting post balance sheet event and the group will monitor the legislative changes in this regard. An estimate of the impact was not performed at 31 December 2021 but will be considered during the 2022 year.

The directors are not aware of any other 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 2021 or the financial position at that date.

Impact of July 2021 riots

The riots that took place during the year did not impact the group and there was no damage or disruption to the group's facilities and operations.

Compliance with the King code

ADvTECH Limited is listed on the Johannesburg Stock Exchange. The King IV Report on Corporate Governance™ for South Africa, 2016 ("the King code") is the primary corporate governance code in South Africa and is applicable to all types of entities.

The King code consists of a set of voluntary principles and leading practices with an 'apply and explain' disclosure regime. The Listings Requirements of the JSE requires listed companies to apply King IV paragraph 8.63(a)(i) which stipulates that issuers are required to disclose the implementation of the King code through the application of the King code disclosure and application regime.

The document that outlines how we have applied the principles and recommendations of the King code in this report, 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 27 May 2021:

- non-executive directors' fees for the period 1 July 2021 to 30 June 2022;
- 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.

Directors' report

for the year ended 31 December 2021 *(continued)*

Special resolutions adopted by subsidiary companies

Special resolutions in terms of section 45 of the Companies Act, 71 of 2008, 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

The following changes to the board occurred:

- We welcome Monde Nkosi, who was appointed to the board effective 1 April 2021 and Sybile Lazar, who was appointed to the board effective 1 October 2021.
- Dr Shirley Zinn retired as non-executive director, effective 31 December 2021. She also stepped down from the Remuneration committee as chair and member and as member of the Nominations and Transformation, Social and Ethics committees.
- Following Dr Shirley Zinn's retirement, Keith Warburton was appointed as the lead independent non-executive director.

In accordance with the provisions of the company's Memorandum of Incorporation (MoI), one third of all non-executive directors will retire by rotation at the forthcoming AGM. KDM Warburton, JS Chimhanzi and K Gugushe being eligible, have offered themselves for re-election.

Interests of directors and prescribed officers

As at 31 December 2021, the directors' and prescribed officers' beneficial and non-beneficial, direct and indirect interests in the issued share capital of the company were 2% (2020: 2%) in aggregate.

The interests of directors and prescribed officers are as follows:

	Beneficial				Non-beneficial			
	Direct		Indirect		Direct		Indirect	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
Directors								
CH Boulle	**3 549**	3 549	**–**	–	**–**	–	**–**	–
JS Chimhanzi	**–**	–	**–**	–	**–**	–	**–**	–
RJ Douglas	**735 408**	522 360	**–**	–	**–**	–	**–**	–
J Hofmeyr	**–**	–	**–**	–	**–**	–	**–**	–
SS Lazar	**–**	–	**–**	–	**–**	–	**–**	–
M Nkosi	**–**	–	**–**	–	**–**	–	**20 726 246**	–
JDR Oesch	**2 296 877**	2 154 319	**–**	–	**–**	–	**56 312**	56 312
C Thomson	**–**	–	**19 340**	–	**–**	–	**–**	–
KDM Warburton	**–**	–	**–**	–	**–**	–	**–**	–
J Zimmermann	**–**	–	**–**	–	**–**	–	**–**	–
SA Zinn	**–**	–	**–**	–	**–**	–	**–**	–
Prescribed Officers								
MD Aitken	**135 251**	51 072	**–**	–	**–**	–	**–**	–
FJ Coughlan	**162 560**	137 582	**–**	–	**–**	–	**4 000**	4 000
DL Honey	**7 401 038**	7 478 545	**–**	–	**–**	–	**342 347**	441 159
Totals	**10 734 683**	10 347 427	**19 340**	–	**–**	–	**21 128 905**	501 471

At the date of this financial report, none of the current directors or prescribed officers have acquired or disposed of any of the shares held by them as at 31 December 2021.

Directors' report

for the year ended 31 December 2021 *(continued)*

Acquisitions and disposals

During the year under review, the group acquired additional shares in Schole Mauritius Limited (3.97%) and Oxbridge Academy Proprietary Limited (44%).

These acquisitions are in line with the published expansion programme. Further details on these acquisitions are detailed in note 37 of the annual financial statements.

Auditors

Ernst & Young Inc. have been appointed as auditors of the company and its subsidiaries during the year under review. The 2021 audit is the first audit under the management of C Trollope, the lead independent external auditor.

The Audit and Risk Committee has nominated Ernst & Young Inc. 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 for the 2022 financial year, and to confirm C Trollope as the lead independent external auditor.

Company Secretary

CB Crouse has been appointed as the company secretary with effect from 1 January 2021. 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 statement of profit or loss

for the year ended 31 December 2021

	Notes	Audited 2021 R'm	Audited 2020 R'm
Revenue	4	**5 917.2**	5 499.2
Placement costs		**(777.3)**	(645.4)
Staff costs	5	**(2 417.8)**	(2 259.6)
Rent and occupancy costs		**(301.4)**	(273.4)
Net credit losses$		**(117.3)**	(263.6)
Share of profit from joint venture		**0.8**	0.4
Other operating expenses#$		**(881.4)**	(803.1)
Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA)		**1 422.8**	1 254.5
Depreciation and amortisation	5	**(314.5)**	(346.4)
Operating profit before interest and non-trading items		**1 108.3**	908.1
Non-trading items		**12.2**	(28.8)
Profit on disposal of property, plant and equipment#		**11.3**	1.4
Profit on right-of-use assets from early termination of leases		**0.4**	–
Corporate action income/(costs)		**0.5**	(0.5)
Impairment of property, plant and equipment	12	**–**	(11.1)
Impairment of intangible assets	16	**–**	(24.9)
Loss on disposal of subsidiaries		**–**	(6.7)
Gain on settlement of contingent consideration		**–**	13.0
Operating profit before interest	5	**1 120.5**	879.3
Net finance costs		**(161.4)**	(204.8)
Interest earned	6.1	**7.7**	2.3
Finance costs incurred	6.2	**(102.1)**	(146.5)
Finance costs on lease liabilities	6.3	**(67.0)**	(60.6)
Profit before taxation		**959.1**	674.5
Taxation	7	**(279.7)**	(209.0)
Profit for the year		**679.4**	465.5
Profit for the year attributable to:			
Owners of the parent		**664.9**	461.1
Non-controlling interests		**14.5**	4.4
		679.4	465.5
Earnings per share*			
Basic (cents)	8	**123.1**	85.5
Diluted (cents)	8	**121.8**	85.3

Profit on disposal of property, plant and equipment has been reclassified as a non-trading item due to the non-recurring nature of these transactions. The comparative results have been re-presented with a corresponding adjustment made to other operating expenses. Refer to note 40 for more information.

$ *The net bad debts written-off of R187.5 million has been reclassified from other operating expenses to net credit losses for the comparative period.*

* *The number of normal and diluted treasury shares in issue have been restated. Refer to note 40 for more information.*

Consolidated statement of other comprehensive income

for the year ended 31 December 2021

	Audited 2021 R'm	Audited 2020 R'm
Profit for the year	**679.4**	465.5
Other comprehensive income, net of income taxation		
Items that may be reclassified subsequently to profit or loss		
Exchange gain/(loss) on translating foreign operations	**30.1**	(15.1)
Total comprehensive income for the year	**709.5**	450.4
Total comprehensive income for the year attributable to:		
Owners of the parent	**693.3**	445.8
Non-controlling interests	**16.2**	4.6
	709.5	450.4

Consolidated statement of financial position

as at 31 December 2021

	Notes	**Audited 2021 R'm**	Restated* Audited 2020 R'm	Restated* Audited 2019 R'm
ASSETS				
Non-current assets				
Property, plant and equipment	12	**5 035.0**	4 854.9	4 803.1
Proprietary technology systems	13	**111.2**	106.5	80.9
Right-of-use assets	14	**612.4**	442.9	384.2
Goodwill	15	**1 461.2**	1 452.4	1 459.9
Intangible assets	16	**156.0**	162.2	197.1
Deferred taxation assets	17	**53.8**	53.9	40.5
Investment in joint venture	18	**7.9**	8.0	7.6
		7 437.5	7 080.8	6 973.3
Current assets				
Inventories	19	**10.4**	17.4	22.5
Trade and other receivables	20	**293.4**	270.3	326.2
Taxation		**36.3**	7.0	39.0
Prepayments		**35.8**	34.7	44.7
Bank balances and cash	21	**245.0**	181.7	170.5
		620.9	511.1	602.9
Non-current assets held for sale	22	**8.6**	48.8	67.8
Total assets		**8 067.0**	7 640.7	7 644.0
EQUITY AND LIABILITIES				
Capital and reserves				
Stated capital	23	**1 601.5**	1 566.3	1 539.0
Shares held by the group (treasury shares)*		**(135.3)**	(104.2)	(76.5)
Net stated capital		**1 466.2**	1 462.1	1 462.5
Share incentive reserve*		**141.3**	83.5	64.6
Foreign currency translation reserve		**48.3**	18.2	33.3
Retained earnings		**2 721.5**	2 274.9	1 840.0
Equity attributable to owners of the parent		**4 377.3**	3 838.7	3 400.4
Non-controlling interests		**31.8**	29.1	19.9
Total equity		**4 409.1**	3 867.8	3 420.3
Non-current liabilities				
Long-term bank loans	26	**600.0**	1 200.0	1 800.0
Deferred taxation liabilities	17	**152.1**	152.6	170.9
Lease liabilities	31	**591.9**	427.3	369.2
Acquisition liabilities	29	**48.3**	50.1	74.4
		1 392.3	1 830.0	2 414.5
Current liabilities				
Current portion of long-term bank loan	26	**600.0**	600.0	–
Short-term bank loans	27	**591.4**	441.2	880.1
Current portion of lease liabilities	31	**165.8**	137.7	116.3
Trade and other payables	28	**538.6**	447.1	436.5
Current portion of acquisition liabilities	29	**7.3**	3.8	–
Fees received in advance and deposits	30	**360.1**	310.8	328.8
Shareholders for capital distribution		**0.8**	0.8	0.8
Shareholders for dividend		**1.6**	1.5	1.5
Bank overdraft		**–**	–	45.2
		2 265.6	1 942.9	1 809.2
Total equity and liabilities		**8 067.0**	7 640.7	7 644.0

* *These equity line items have been restated. Refer to note 40 for more information.*

Consolidated statement of changes in equity

for the year ended 31 December 2021

	Notes	Stated capital R'm	Share incentive reserve* R'm	Foreign currency translation reserve R'm	Shares held by the group (treasury shares)* R'm	Retained earnings R'm	Non-controlling interests R'm	Total equity R'm
Restated balance at 1 January 2020		1 539.0	64.6	33.3	(76.5)	1 840.0	19.9	3 420.3
Balance at 1 January 2020 (as previously reported)		1 539.0	3.4	33.3	(15.3)	1 840.0	19.9	3 420.3
Restatement to opening balance*	40		61.2		(61.2)	–		–
Total comprehensive income for the year				(15.1)		461.1	4.4	450.4
Profit for the year						461.1	4.4	465.5
Other comprehensive income for the year				(15.1)				(15.1)
Dividends declared to shareholders	11						(3.8)	(3.8)
Share-based payment expense	5.24		1.8					1.8
Share award expense under the management share incentive schemes	5.25		17.1					17.1
Shares awarded under the management share incentive scheme (MSI)								–
Taxation effect of shares awarded under the management share incentive schemes					(0.4)			(0.4)
Shares issued for the management share incentive schemes	23	27.3			(27.3)			–
Non-controlling interest on disposal of subsidiaries							3.4	3.4
Acquisition of additional shares in subsidiaries						(26.2)	5.2	(21.0)
Balance at 31 December 2020		**1 566.3**	**83.5**	**18.2**	**(104.2)**	**2 274.9**	**29.1**	**3 867.8**
Balance at 31 December 2020 (as previously reported)		1 566.3	(8.7)	18.2	(12.0)	2 274.9	29.1	3 867.8
Restatement to opening balance*	40		92.2		(92.2)			–
Total comprehensive income for the year				30.1		664.9	14.5	709.5
Profit for the year						664.9	14.5	679.4
Other comprehensive income for the year				30.1				30.1
Dividends declared to shareholders	11					(215.0)	(8.9)	(223.9)
Share-based payment expense	5.24		0.9					0.9
Share award expense under the management share incentive schemes	5.25		51.5					51.5
Taxation effect of shares awarded under the management share incentive schemes					(0.1)			(0.1)
Shares issued for the management share incentive schemes	23	35.3			(35.3)			–
Share issue costs	23	(0.1)						(0.1)
Share options exercised			5.4		4.3			9.7
Acquisition of additional shares in subsidiaries						(3.3)	(2.9)	(6.2)
Balance at 31 December 2021		**1 601.5**	**141.3**	**48.3**	**(135.3)**	**2 721.5**	**31.8**	**4 409.1**

* *These equity line items have been restated. Refer to note 40 for more information.*

Consolidated statement of cash flows

for the year ended 31 December 2021

	Notes	Audited 2021 R'm	Audited 2020 R'm
Cash flows from operating activities			
Cash generated from operations	34.1	**1 471.9**	1 264.5
Movement in working capital	34.2	**117.5**	48.0
Cash generated by operating activities		**1 589.4**	1 312.5
Net finance costs		**(157.9)**	(201.1)
– interest received		**7.7**	2.3
– finance costs paid		**(94.5)**	(137.9)
– finance costs on lease liabilities		**(67.0)**	(60.6)
– borrowing costs capitalised to assets		**(4.1)**	(4.9)
Taxation paid	34.3	**(309.3)**	(212.5)
Dividends paid	34.4	**(223.8)**	(3.8)
Net cash inflow from operating activities		**898.4**	895.1
Cash flows from investing activities			
Additions to property, plant and equipment			
– to maintain operations	34.5	**(146.0)**	(95.0)
– to expand operations	34.6	**(184.0)**	(172.0)
Additions to proprietary technology systems		**(12.7)**	(36.5)
Proceeds on disposal of property, plant and equipment		**38.8**	29.4
Proceeds on disposal of subsidiaries		**–**	0.3
Dividend received from joint venture		**1.0**	–
Net cash outflow from investing activities		**(302.9)**	(273.8)
Cash flows from financing activities			
Settlement of long-term bank loans		**(600.0)**	–
Settlement of short-term bank loans		**(441.2)**	(848.9)
Drawdowns of short-term bank loans		**590.0**	410.0
Repayment of lease liabilities		**(94.0)**	(97.9)
Cash received on exercise of share options		**9.7**	–
Acquisition of additional shares in subsidiaries		**(8.4)**	(21.0)
Shares issued to non-controlling interest		**1.7**	–
Settlement of contingent consideration		**–**	(9.1)
Net cash outflow from financing activities		**(542.2)**	(566.9)
Net increase in cash and cash equivalents		**53.3**	54.4
Cash and cash equivalents (net of bank overdraft) at beginning of the year		**181.7**	125.3
Net foreign exchange difference on cash and cash equivalents		**10.0**	2.0
Cash and cash equivalents at end of the year	21	**245.0**	181.7

Consolidated segmental report

for the year ended 31 December 2021

	Percentage increase/ (decrease)	Audited 2021 R'm	Restated* Audited 2020 R'm
Revenue	8%	**5 917.2**	5 499.2
Schools	6%	**2 457.6**	2 311.2
– South Africa	4%	**2 189.6**	2 114.3
– Rest of Africa	36%	**268.0**	196.9
Tertiary	4%	**2 441.6**	2 343.6
Resourcing	20%	**1 018.0**	848.2
– South Africa	24%	**226.3**	183.0
– Rest of Africa	19%	**791.7**	665.2
Intra group revenue		**–**	(3.8)
Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA)#	13%	**1 422.8**	1 254.5
Schools	17%	**608.5**	521.3
– South Africa*	7%	**545.9**	512.4
– Rest of Africa	603%	**62.6**	8.9
Tertiary*	7%	**763.0**	714.8
Resourcing	179%	**51.3**	18.4
– South Africa		**16.4**	(5.6)
– Rest of Africa	45%	**34.9**	24.0
Depreciation and amortisation	(9%)	**314.5**	346.4
Schools	(4%)	**148.3**	154.8
– South Africa*	(2%)	**133.1**	136.4
– Rest of Africa	(17%)	**15.2**	18.4
Tertiary*	(13%)	**153.6**	176.1
Resourcing		**12.6**	15.5
– South Africa	(19%)	**10.4**	12.9
– Rest of Africa	(15%)	**2.2**	2.6
Operating profit before interest and non-trading items#	22%	**1 108.3**	908.1
Schools	26%	**460.2**	366.5
– South Africa	10%	**412.8**	376.0
– Rest of Africa		**47.4**	(9.5)
Tertiary	13%	**609.4**	538.7
Resourcing		**38.7**	2.9
– South Africa		**6.0**	(18.5)
– Rest of Africa	53%	**32.7**	21.4
Property, plant and equipment, proprietary technology systems, right-of-use assets and non-current assets held for sale	6%	**5 767.2**	5 453.1
Schools	2%	**3 874.3**	3 798.4
– South Africa	2%	**3 446.7**	3 387.2
– Rest of Africa	4%	**427.6**	411.2
Tertiary	14%	**1 861.7**	1 633.8
Resourcing	49%	**31.2**	20.9
– South Africa	67%	**29.6**	17.7
– Rest of Africa	(50%)	**1.6**	3.2

Consolidated segmental report

for the year ended 31 December 2021 *(continued)*

	Percentage increase/ (decrease)	**Audited 2021 R'm**	Restated* Audited 2020 R'm
Current assets	21%	**620.9**	511.1
Schools	2%	**262.0**	257.4
– South Africa*	(2%)	**163.6**	167.7
– Rest of Africa	10%	**98.4**	89.7
Tertiary*	40%	**209.8**	149.9
Resourcing	44%	**149.1**	103.8
– South Africa	(2%)	**37.7**	38.5
– Rest of Africa	71%	**111.4**	65.3
Total liabilities	(3%)	**3 657.9**	3 772.9
Schools	(9%)	**2 470.0**	2 721.6
– South Africa	(9%)	**2 152.4**	2 356.8
– Rest of Africa	(13%)	**317.6**	364.8
Tertiary	9%	**1 076.6**	991.3
Resourcing	86%	**111.3**	60.0
– South Africa	73%	**64.6**	37.3
– Rest of Africa	106%	**46.7**	22.7
Capital expenditure	12%	**346.8**	308.4
Schools	15%	**222.5**	194.2
– South Africa	16%	**201.8**	173.8
– Rest of Africa	1%	**20.7**	20.4
Tertiary	10%	**122.0**	111.1
Resourcing	(26%)	**2.3**	3.1
– South Africa	(30%)	**1.6**	2.3
– Rest of Africa	(13%)	**0.7**	0.8

* *The comparative EBITDA, depreciation, and current asset sections of the segmental have been restated. Refer to note 40.*

Profit on disposal of property, plant and equipment has been reclassified as a non-trading item due to the non-recurring nature of these transactions. The comparative results have been re-presented with a corresponding adjustment made to other operating expenses.

Notes to the consolidated financial statements

for the year ended 31 December 2021

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 revised standards

During the current year, the group adopted the following amendments to standards which are effective for annual reporting periods beginning on or after 1 January 2021:

- IFRS 7: *Financial Instruments: Disclosures*, IFRS 9: *Financial Instruments* and IAS 39: *Financial Instruments Recognition and Measurement* (Interest Rate Benchmark Reform Phase 2: The amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16 amend requirements relating to changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities, hedge accounting and disclosures).

These amendments to standards, which became effective in the period ended 31 December 2021, 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 material 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 assets and liabilities acquired as part of a business combination which are measured at fair value.

The principal accounting policies adopted are set out below. Except as noted in note 2, 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 has been attributed to the Rest of Africa segments for both schools and resourcing.

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.

Intra-group transactions are conducted at an arms-length basis.

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.

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.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

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.

Notes to the consolidated financial statements

for the year ended 31 December 2021 *(continued)*

3. Significant accounting policies *(continued)*

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 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 for deferred taxation assets or liabilities that 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.

3.6 Goodwill

Goodwill arising on the acquisition of a subsidiary or a joint venture 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 joint venture 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.

3.7 Joint arrangement

A joint arrangement is a company over which the group exercises joint control. Joint control involves the contractually agreed sharing of control. Joint arrangements are classified as joint ventures when the parties that have joint control have rights to the net assets of the arrangements.

The equity method of accounting is applied in the consolidated financial statements, in relation to joint ventures. 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 venture 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 (as recognised in the company financial statements).

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. At times, a student qualifies for a bursary or discount. The consideration (the gross amount less any bursaries and discounts awarded) for these services 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 are included with fees received in advance.

Notes to the consolidated financial statements

for the year ended 31 December 2021 *(continued)*

3. Significant accounting policies *(continued)*

3.8 Revenue recognition *(continued)*

3.8.1 Revenue from tuition fees (continued)

For the sale of books and educational material, 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 is recognised as and when the services are rendered and candidates are successfully placed.

In certain transactions, where the group acts as an agent, revenue is recorded net of related costs.

Some placement contracts have an attributable cost (being the contractor fees paid to contractors employed by the group but placed at clients) that is directly incurred in the performance of the contract. These costs are recognised as placement costs.

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 Leases

The group assesses whether a contract is or contains a lease, at inception of the contract. The group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments; and
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed as a result of an extension, termination or purchase option in the lease;
- The lease payments change due to changes in an index or rate, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Depreciation is recorded from the commencement date of the lease.

Right-of-use assets are presented as a separate line in the consolidated statement of financial position.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs.

Rental concessions received as a result of the COVID-19 pandemic were recognised in the statement of comprehensive income in line with the practical expedient allowed in the amendment to IFRS 16.

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.

Notes to the consolidated financial statements

for the year ended 31 December 2021 *(continued)*

3. Significant accounting policies *(continued)*

3.10 Foreign currencies *(continued)*

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).

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.

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 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 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, which does not include 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.

Notes to the consolidated financial statements

for the year ended 31 December 2021 *(continued)*

3. Significant accounting policies *(continued)*

3.14 Taxation *(continued)*

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.

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 1/2021 – Headline Earnings, as issued by the South African Institute of Chartered Accountants.

Normalised earnings is a non-IFRS measure which is included to provide an additional basis on which to measure the group's normalised earnings performance. It excludes the impact of certain operational income and expense items that are not from the day-to-day operations of the business. In the current year this includes an income made on adjustment of the purchase price of a prior year acquisition. In prior years it included legal and other corporate action costs, the gain on settlement of contingent consideration and the write-off of deferred taxation assets in certain subsidiaries.

Non-trading items are a combination of the adjustments made for headline and normalised earnings.

Free operating cash flow before capex

Free operating cash flow before capex is calculated by subtracting non-cash items, repayment of lease liabilities net of taxation, and movement in working capital from profit for the year. This is a non-IFRS measure.

Free operating cash flow before per share

Free operating cash flow before capex per share is calculated by dividing free operating cash flow before capex 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.

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 or 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 buildings and proprietary technology systems are capitalised and included in the cost of these assets until completion, less any identified impairment losses. 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 buildings and proprietary technology systems, 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. The key factor in assessing the useful life as indefinite is the reputation of a school which increases over time as it becomes entrenched in its community.

Notes to the consolidated financial statements

for the year ended 31 December 2021 *(continued)*

3. Significant accounting policies *(continued)*

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 primarily of books. These are carried as inventory and expensed when provided to students.

3.20 Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost and comprise cash on hand net of outstanding bank overdrafts and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

3.21 Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of a past event, and it is probable that the company will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the statement of financial position date, and are discounted to present value where the effect is material.

3.22 Share purchases

The ADvTECH Limited Share Incentive Trust, The Independent Institute of Education Proprietary Limited and ADvTECH Resourcing Proprietary Limited hold shares in the company to be used for the settlement of their obligations under their share incentive schemes. Shares held are offset against stated capital.

3.23 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 FVTPL are recognised immediately in profit or loss.

3.23.1 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.

3.23.1.1 Classification of financial assets

Financial assets are classified as subsequently measured at amortised cost as:

- the financial asset is held by the group 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 FVTPL.

3.23.1.2 Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and 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.

Notes to the consolidated financial statements

for the year ended 31 December 2021 *(continued)*

3. Significant accounting policies *(continued)*

3.23 Financial instruments *(continued)*

3.23.1 Financial assets *(continued)*

3.23.1.2 Amortised cost and effective interest method (continued)

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. 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 3.22.1.7). 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.

Interest income is recognised in profit or loss and is included in the 'interest earned' line item.

3.23.1.3 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 and disclosed in note 5 in the line items 'foreign exchange gains' and 'foreign exchange losses'.

3.23.1.4 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 recognises lifetime ECL for trade receivables using the simplified approach. The ECL on these financial assets is estimated using a provision calculation based on the group's historical credit loss experience as described in note 20.

Lifetime ECL represents the ECL 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 has a credit risk grading framework against which financial assets are assessed for ECL. The current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising ECL
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 greater than 30 days past due and the student is no longer in attendance but payments are still being received; or • 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 & overdue	The counterparty has a low risk of default. Amounts could be greater than 30 days but default is not expected.	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 months ECL
Overdue	Amount is greater than 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 greater than 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

The group considers the credit risk on a financial asset to increase prior to the aging reaching 90 days and, hence, the 90 day presumption is not applicable.

Notes to the consolidated financial statements

for the year ended 31 December 2021 *(continued)*

3. Significant accounting policies *(continued)*

3.23 Financial instruments *(continued)*

3.23.1 Financial assets *(continued)*

3.23.1.5 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.

3.23.1.6 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.

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:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

3.23.1.8 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. For educational trade receivables factors that indicate that there is no realistic prospect of recovering the debt include payment patterns, eg. irregular payments, as well as whether the student is still attending classes. For resourcing trade receivables factors that indicate that there is no realistic prospect of recovery include, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Another indicator is when the credit risk grading framework "write-off" category is satisfied. 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.

3.23.1.9 Measurement and recognition of ECL

The measurement of ECL 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 ECL 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 ECL 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 12 months 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.

Notes to the consolidated financial statements

for the year ended 31 December 2021 *(continued)*

3. Significant accounting policies *(continued)*

3.23 Financial instruments *(continued)*

3.23.1 Financial assets *(continued)*

3.23.1.10 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.

3.23.2 Financial liabilities and equity instruments

3.23.2.1 Classification as debt or equity

Debt and equity instruments issued by a group entity 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.

3.23.2.2 Equity instruments

An equity instrument in the group consists of stated capital and share based payment instruments. Equity instruments issued by the group are recognised at the proceeds received, net of direct issue costs.

No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the company's own equity instruments.

3.23.2.3 Financial liabilities

All financial liabilities currently held in the group and company are subsequently measured at amortised cost using the effective interest method.

3.23.2.3a Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not contingent consideration of an acquirer in a business combination, 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.

3.23.2.3b 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 and disclosed in note 5 in the line items 'foreign exchange gains' and 'foreign exchange losses'.

3.23.2.3c 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.

3.24 Critical accounting judgements and key sources of estimation uncertainty

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.

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 20.

Expected credit loss allowance

An assessment of impairment of trade receivables is performed at the end of each reporting period based on various factors as disclosed in note 20. Management judgement is required on estimating such information.

Purchase price allocation relating to business combinations

The group exercises judgement in determining the purchase price allocation which is a combination of determining the fair value of the tangible and intangible assets and resulting goodwill relating to the business combinations. For tangible assets, an independent valuation is obtained from a certified valuer. The free cash flow method is used to value intangible assets 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

Notes to the consolidated financial statements

for the year ended 31 December 2021 *(continued)*

embodied in the intangible asset.

3. Significant accounting policies *(continued)*

3.25 Standards not yet effective

At the date of the authorisation of these financial statements, the following standards were in issue but not yet effective:

IFRS 3	*Business Combinations:* Reference to the Conceptual Framework.The amendment updates a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.	Annual period beginning on or after 1 January 2022
IFRS 9	*Financial Instruments:* Annual improvements to IFRS Standards 2018 – 2020: The amendment clarifies which fees an entity includes when it applies the "10 per cent" test in assessing whether to derecognise a financial liability.	Annual period beginning on or after 1 January 2022
IAS 1	*Presentation of Financial Statements:* Classification of liabilities as current or non-current: narrow-scope amendments to IAS 1 to clarify how to classify debt and other liabilities as current or non-current.	Annual period beginning on or after 1 January 2023
IAS 1	*Presentation of Financial Statements:* Disclosure of accounting policies: The amendments require companies to disclose their material accounting policy information rather than their significant accounting policies, with additional guidance added to the standard to explain how an entity can identify material accounting policy information with examples of when accounting policy information is likely to be material.	Annual period beginning on or after 1 January 2023
IAS 8	*Accounting Policies, Changes in Accounting Estimates and Errors:* Definition of accounting estimates: The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates, by replacing the definition of a change in accounting estimates with a new definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The requirements for recognising the effect of change in accounting prospectively remain unchanged.	Annual period beginning on or after 1 January 2023
IAS 12	*Income Taxes:* Deferred tax related to assets and liabilities arising from a single transaction. The amendment clarifies how a company accounts for income tax, including deferred tax, which represents tax payable or recoverable in the future.	Annual period beginning on or after 1 January 2023
IAS 16	*Property, Plant and Equipment:* Proceeds before intended use: The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items in profit or loss.	Annual period beginning on or after 1 January 2022
IAS 37	*Provisions, Contingent Liabilities and Contingent Assets:* Onerous contracts. The amendments specify which costs should be included in an entity's assessment whether a contract will be loss-making.	Annual period beginning on or after 1 January 2022

The group intends to adopt the above standards at the start of the financial period following the effective date.

None of the standards 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 2021 *(continued)*

		Audited 2021 R'm	Audited 2020 R'm
4.	**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	**4 899.2**	4 654.8
	Tuition – Schools	**2 528.1**	2 406.8
	Tuition – Tertiary	**2 459.6**	2 360.9
	Bursaries and discounts	**(223.4)**	(223.1)
	Net tuition fees	**4 764.3**	4 544.6
	Boarding fees	**35.9**	18.8
	Enrolment and application fees	**54.8**	57.8
	Extramural activities and aftercare	**43.4**	30.1
	Education material and uniforms	**0.8**	3.5
	Placement fees	**1 018.0**	848.2
	Intra group revenue	**–**	(3.8)
		5 917.2	5 499.2
	Timing of revenue recognition		
	Over time		
	Net tuition fees, boarding fees, enrolment and application fees and extramural activities and aftercare	**4 898.4**	4 651.3
	At a point in time		
	Educational material and uniforms, placement fees and intra group revenue	**1 018.8**	847.9
	Total	**5 917.2**	5 499.2

Notes to the consolidated financial statements

for the year ended 31 December 2021 *(continued)*

		Notes	**Audited 2021 R'm**	Audited 2020 R'm
5.	**Operating profit before interest**			
	Operating profit before interest is stated after taking the following into account:			
	Other operating expenses includes the following:			
	Auditors' remuneration		**13.5**	16.1
	– Current year audit fee		**13.4**	15.1
	– Prior year under provision		**0.1**	0.7
	– Other services		**–**	0.3
	Foreign exchange gains		**(15.9)**	(5.1)
	Foreign exchange losses		**0.1**	1.6
	Professional fees		**36.0**	30.4
	Net profit on disposal of property, plant and equipment		**(11.7)**	–
	Profit on disposal of property, plant and equipment		**(11.3)**	(1.4)
	Profit on right-of-use assets from early termination of leases		**(0.4)**	–
	Loss on disposal of property, plant and equipment reclassified to loss on disposal of subsidiaries		**–**	1.4
	Loss on disposal of subsidiaries		**–**	6.7
	Gain on settlement of contingent consideration		**–**	(13.0)
	Depreciation and amortisation includes the following:			
	Amortisation		**18.8**	24.4
	– Proprietary technology systems	13	**10.6**	14.0
	– Intangible assets	16	**8.2**	10.4
	Depreciation – property, plant and equipment	12	**179.3**	193.1
	– Buildings		**17.2**	24.1
	– Computer equipment		**64.4**	71.3
	– Computer software		**2.0**	4.3
	– Furniture, fittings and equipment		**47.7**	50.4
	– Motor vehicles		**6.3**	8.2
	– Video equipment		**4.7**	3.6
	– Leasehold improvements		**37.0**	31.2
	Depreciation – right-of-use assets	14	**116.4**	128.9
	Total depreciation and amortisation		**314.5**	346.4
	Rent and occupancy costs includes the following:			
	Lease charges		**69.7**	65.0
	– Expense related to short term leases		**46.8**	42.0
	– Savings as a result of rent concessions received		**–**	(1.7)
	– Expense relating to variable lease payments not included in the measurement of lease liabilities		**20.2**	21.2
	– Expense related to low value assets		**2.7**	3.5
	Rental income		**(27.1)**	(30.6)
	Directors' emoluments		**20.3**	15.2
	– For services as directors	35	**4.1**	4.2
	– VAT on non-executive director fees	35	**0.4**	0.3
	– For managerial and other services	35	**15.8**	10.7
	Pension and provident fund contributions		**137.2**	150.4
	Share-based payment expense	24	**0.9**	1.8
	Management share incentive scheme expense (MSI)	25	**51.5**	17.1
	Staff costs		**2 207.9**	2 075.1
	Total staff costs		**2 417.8**	2 259.6

Notes to the consolidated financial statements

for the year ended 31 December 2021 *(continued)*

		Note	**Audited 2021 R'm**	Audited 2020 R'm
6.	**Net finance costs**			
6.1	**Interest earned**			
	Call accounts		**7.0**	1.7
	Current accounts		**0.4**	0.2
	South African Revenue Service and other revenue authorities		**0.2**	0.4
	Other		**0.1**	–
			7.7	2.3
6.2	**Finance costs incurred**			
	Bank loans		**(94.9)**	(135.4)
	Bank loans facility fees		**(2.1)**	(2.6)
	Bank overdrafts		**(0.6)**	(1.1)
	South African Revenue Service and other revenue authorities		**–**	(2.1)
	Other		**(4.5)**	(5.3)
			(102.1)	(146.5)
6.3	**Finance costs on lease liabilities**			
	Finance costs on lease liabilities	31	**(67.0)**	(60.6)
	Net finance costs		**(161.4)**	(204.8)
7.	**Taxation**			
7.1	**Taxation expense comprises**			
	Current taxation – current year		**280.1**	240.3
	– prior year over provision		**–**	(0.5)
	Deferred taxation – current year	17	**(0.3)**	(41.0)
	– assessed losses written off	17	**–**	4.8
	– prior year (over)/under provision	17	**(0.1)**	5.4
	Total taxation expense		**279.7**	209.0
	Estimated taxation losses for the group carried forward at year-end were R305.6 million (2020: R296.4 million). A rand equivalent amount of R239.8 million (2020: R234.2 million) relates to Crawford International School in Kenya which had accelerated allowances relating to the construction of buildings allowing a tax write-off over 2 years.			
	Deferred taxation assets relating to taxation losses to the value of R5.2 million (2020: R6.5 million) have not been raised in the group.			
7.2	**Reconciliation of taxation**			
	Profit before taxation		**959.1**	674.5
	Taxation at 28%		**268.5**	188.9
	Foreign taxation effect		**(7.0)**	(6.4)
	Taxation at effective normal tax rate of 27% (2020: 27%)		**261.5**	182.5
	Permanent differences		**18.3**	16.8
	Disallowable expenditure – depreciation on buildings and amortisation of leasehold improvements		**10.4**	12.0
	Disallowable expenditure – loss on disposal of subsidiaries		**–**	1.9
	Disallowable expenditure – legal, consulting and other		**2.3**	3.6
	Disallowable expenditure – foreign entities		**6.3**	2.0
	Exempt income*		**(0.7)**	(2.7)
	Current taxation – prior year over provision		**–**	(0.5)
	Deferred taxation – assessed losses written off		**–**	4.8
	Deferred taxation – prior year (over)/under provision		**(0.1)**	5.4
	Taxation expense recognised in profit		**279.7**	209.0
	Effective taxation rate		**29.2%**	31.0%

* *The majority of the exempt income relates to equity accounted earnings (2020: gain on settlement of contingent consideration).*

Notes to the consolidated financial statements

for the year ended 31 December 2021 *(continued)*

		Audited 2021 R'm	Audited 2020 R'm
8.	**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)	**552.5**	549.0
	Less: Weighted average number of shares held by the group ('m)*	**(12.4)**	(9.6)
	Weighted average number of shares for purposes of basic earnings per share ('m)	**540.1**	539.4
	Dilutive effect of share options ('m)*	**5.8**	1.2
	Weighted average number of shares for purposes of diluted earnings per share ('m)	**545.9**	540.6
	There are 211 142 (2020:1 757 621) share options that are potentially dilutive but did not have an effect in the current year as the exercise price exceeded the market price.		
	Earnings		
	Earnings for the purpose of basic and diluted earnings per share	**664.9**	461.1
	Earnings per share*		
	Basic (cents)	**123.1**	85.5
	Diluted (cents)	**121.8**	85.3

		Audited 2021 R'm		Audited 2020 R'm	
		Gross	**Net**	Gross	Net
9.	**Headline earnings per share**				
	Earnings				
	Earnings for the purpose of basic and diluted earnings per share		**664.9**		461.1
	Items excluded from headline earnings per share	**(11.7)**	**(8.4)**	41.3	33.0
	Profit on disposal of property, plant and equipment	**(11.3)**	**(8.0)**	(1.4)	(1.0)
	Profit on right-of-use assets from early termination of leases	**(0.4)**	**(0.4)**	–	–
	Loss on disposal of subsidiaries	**–**	**–**	6.7	6.7
	Impairment of property, plant and equipment	**–**	**–**	11.1	9.4
	Impairment of intangible assets	**–**	**–**	24.9	17.9
	Earnings for the purpose of basic and diluted headline earnings per share		**656.5**		494.1
	Headline earnings per share*				
	Basic (cents)		**121.6**		91.6
	Diluted (cents)		**120.3**		91.4
10.	**Normalised earnings per share**				
	Earnings				
	Earnings for the purpose of basic and diluted headline earnings per share		**656.5**		494.1
	Items excluded from normalised earnings per share	**(0.5)**	**(0.5)**	(12.5)	(7.8)
	Corporate action (income)/costs	**(0.5)**	**(0.5)**	0.5	0.4
	Gain on settlement of contingent consideration	**–**	**–**	(13.0)	(13.0)
	Write-off of deferred taxation assets	**–**	**–**	–	4.8
	Earnings for the purpose of basic and diluted normalised earnings per share		**656.0**		486.3
	Normalised earnings per share*				
	Basic (cents)		**121.5**		90.2
	Diluted (cents)		**120.2**		90.0

* *The number of normal and diluted treasury shares in issue have been restated. Refer to note 40 for more information.*

Notes to the consolidated financial statements

for the year ended 31 December 2021 *(continued)*

	Audited 2021 R'm	Audited 2020 R'm
11. Dividends		
Final dividend No 21 paid on 19 April 2021: 20.0 cents per share (2020: no dividend)	**110.4**	–
Interim dividend No 22 paid on 20 September 2021: 19.0 cents per share (2020: no dividend)	**105.3**	–
Dividend attributable to shares held by the share incentive trust	**(0.7)**	–
Dividends declared by subsidiaries to non-controlling interests	**8.9**	3.8
Total dividends	**223.9**	3.8
On 24 March 2022 the directors declared a dividend No 23 of 31.0 cents per share payable on 19 April 2022 to shareholders registered on the record date, being 14 April 2022.		
Analysis of dividends per share declared:		
Interim	**19.0**	–
Final	**31.0**	20.0
	50.0	20.0

2021	Cost				
	1 Jan 2021 R'm	Additions R'm	Disposals R'm	Foreign currency effect R'm	**31 Dec 2021 R'm**
12. Property, plant and equipment					
Land and buildings	4 395.0	155.5	(24.4)	13.9	**4 540.0**
Computer equipment	411.7	52.7	(51.8)	0.8	**413.4**
Computer software	17.7	0.3	(2.1)	0.3	**16.2**
Furniture, fittings and equipment	328.9	59.8	(24.1)	1.2	**365.8**
Motor vehicles	63.7	2.0	(8.2)	0.2	**57.7**
Video equipment	12.6	7.0	(1.4)	0.2	**18.4**
Leasehold improvements	540.0	54.2	(4.4)	1.1	**590.9**
	5 769.6	331.5	(116.4)	17.7	**6 002.4**

	Accumulated depreciation and impairment				
	1 Jan 2021 R'm	Depreciation R'm	Disposals R'm	Foreign currency effect R'm	**31 Dec 2021 R'm**
Land and buildings	155.6	17.2	(3.4)	1.1	**170.5**
Computer equipment	291.9	64.4	(51.1)	0.4	**305.6**
Computer software	12.9	2.0	(2.1)	0.1	**12.9**
Furniture, fittings and equipment	199.8	47.7	(21.7)	0.6	**226.4**
Motor vehicles	49.6	6.3	(7.8)	0.1	**48.2**
Video equipment	8.0	4.7	(1.4)	0.1	**11.4**
Leasehold improvements	148.1	37.0	(1.4)	0.1	**183.8**
	865.9	179.3	(88.9)	2.5	**958.8**

Notes to the consolidated financial statements

for the year ended 31 December 2021 *(continued)*

		Net book value	
		31 Dec 2021 R'm	31 Dec 2020 R'm
12.	**Property, plant and equipment** *(continued)*		
	Land and buildings	**4 369.5**	4 239.4
	Computer equipment	**107.8**	119.8
	Computer software	**3.3**	4.8
	Furniture, fittings and equipment	**139.4**	129.1
	Motor vehicles	**9.5**	14.1
	Video equipment	**7.0**	4.6
	Leasehold improvements	**407.1**	391.9
		5 043.6	4 903.7
	Reclassified as non-current assets held for sale	**(8.6)**	(48.8)
	Cost	**(10.0)**	(51.9)
	Accumulated depreciation	**1.4**	3.1
		5 035.0	4 854.9

Included in land and buildings is an amount of R6.8 million (2020: R12.7 million) which relates to buildings that are still in progress.

Included in leasehold improvements is an amount of R1.8 million (2020: R5.2 million) which relates to improvements that are still in progress.

The amount of borrowing costs capitalised to current year additions amounted to R1.5 million (2020: R1.8 million) at an average capitalisation rate of 5.5% (2020: 6.7%).

Although property, plant and equipment are held under the cost model, the group obtained an independent valuation of its fixed property during 2019. The valuation was conducted by the Quadrant Property Group, a group of independent sworn valuators. Their valuation based on present land use amounted to R5 407.1 million, a premium of R1 236.7 million or 30% over book value as at December 2019. The previous valuation conducted during 2016 valued the group's fixed property at R3 384.1 million. The fair value is determined using the present value of future cash flows and is level 3 on the fair value hierarchy. There were no material changes to information and assumptions used by the valuators.

Valuations are done on a triennial basis with the next valuation due in 2022.

Land and buildings having a net book value of R2 715.6 million (2020: R2 593.3 million) have been mortgaged as security for the banking facilities (refer to notes 26, 27 and 36).

Trinityhouse Palm Lakes and Trinityhouse North-Riding were closed as at 31 December 2020 and as a result, land and buildings were impaired in the prior year by R11.1 million in anticipation of its disposal in future.

Notes to the consolidated financial statements

for the year ended 31 December 2021 *(continued)*

12. Property, plant and equipment *(continued)*

2020	Cost 1 Jan 2020 R'm	Additions R'm	Disposals R'm	Foreign currency effect R'm	Reallocation R'm	31 Dec 2020 R'm
Land and buildings	4 299.6	115.5	(30.9)	(4.7)	15.5	4 395.0
Computer equipment	394.6	54.4	(37.0)	(0.3)	–	411.7
Computer software	19.5	1.7	(3.5)	–	–	17.7
Furniture, fittings and equipment	322.2	39.6	(32.5)	(0.4)	–	328.9
Motor vehicles	62.4	3.6	(2.2)	(0.1)	–	63.7
Video equipment	11.2	6.4	(4.9)	(0.1)	–	12.6
Leasehold improvements	544.6	47.6	(36.1)	(0.6)	(15.5)	540.0
	5 654.1	268.8	(147.1)	(6.2)	–	5 769.6

	Accumulated depreciation and impairment 1 Jan 2020 R'm	Depreciation R'm	Disposals R'm	Foreign currency effect R'm	Reallocation R'm	31 Dec 2020 R'm
Land and buildings	129.2	24.1	(6.5)	(3.6)	1.3	155.6
Computer equipment	257.2	71.3	(36.5)	(0.1)	–	291.9
Computer software	11.4	4.3	(2.6)	–	(0.2)	12.9
Furniture, fittings and equipment	181.6	50.4	(32.1)	(0.1)	–	199.8
Motor vehicles	43.5	8.2	(2.1)	–	–	49.6
Video equipment	7.0	3.6	(2.6)	–	–	8.0
Leasehold improvements	153.3	31.2	(35.3)	–	(1.1)	148.1
	783.2	193.1	(117.7)	(3.8)	–	865.9

	Net book value 31 Dec 2020 R'm	31 Dec 2019 R'm
Land and buildings	4 239.4	4 170.4
Computer equipment	119.8	137.4
Computer software	4.8	8.1
Furniture, fittings and equipment	129.1	140.6
Motor vehicles	14.1	18.9
Video equipment	4.6	4.2
Leasehold improvements	391.9	391.3
	4 903.7	4 870.9
Reclassified as non-current assets held for sale	(48.8)	(67.8)
Cost	(51.9)	(71.8)
Accumulated depreciation	3.1	(4.0)
	4 854.9	4 803.1

Notes to the consolidated financial statements

for the year ended 31 December 2021 *(continued)*

		Note	**Audited 2021 R'm**	Audited 2020 R'm
13.	**Proprietary technology systems**			
	Cost			
	Balance at beginning of the year		**203.0**	163.4
	Additions		**15.3**	39.6
	Balance at end of the year		**218.3**	203.0
	Accumulated amortisation			
	Balance at beginning of the year		**96.5**	82.5
	Amortisation expense	5	**10.6**	14.0
	Balance at end of the year		**107.1**	96.5
	Carrying amount			
	At beginning of the year		**106.5**	80.9
	At end of the year		**111.2**	106.5

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 proprietary technology systems is an amount of R67.5 million (2020: R75.6 million) which relates to systems that are still under development.

The amount of borrowing costs capitalised to current year additions amounted to R2.6 million (2020: R3.1 million) at an average capitalisation rate of 5.5% (2020: 6.7%).

		Cost				
	2021	1 Jan 2021 R'm	Foreign currency effect R'm	Additions and modifications R'm	Terminations R'm	**31 Dec 2021 R'm**
14.	**Right-of-use assets**					
	Land and buildings	734.4	4.7	284.1	(92.8)	**930.4**
	Computer equipment	0.6	–	–	(0.6)	**–**
	Motor vehicles	1.4	–	–	–	**1.4**
		736.4	4.7	284.1	(93.4)	**931.8**

	Accumulated depreciation				
	1 Jan 2021 R'm	Foreign currency effect R'm	Depreciation R'm	Terminations R'm	**31 Dec 2021 R'm**
Owned					
Land and buildings	292.4	0.6	116.0	(90.5)	**318.5**
Computer equipment	0.5	–	0.1	(0.6)	**–**
Motor vehicles	0.6	–	0.3	–	**0.9**
	293.5	0.6	116.4	(91.1)	**319.4**

	Net book value	
	31 Dec 2021 R'm	**31 Dec 2020 R'm**
Owned		
Land and buildings	611.9	**442.0**
Computer equipment	–	**0.1**
Motor vehicles	0.5	**0.8**
	612.4	**442.9**

Notes to the consolidated financial statements

for the year ended 31 December 2021 *(continued)*

14. Right-of-use assets *(continued)*

The group leases several land and buildings from which it conducts it operations. The leases range from 1 year to 36 years depending on the type of operation. Additions in the current year mainly consist of renewed leases on land and buildings.

Approximately 16% (2020: 25%) of the leases for land and buildings expired in the current financial year. Where appropriate, the expired contracts were replaced by new leases for identical underlying assets. The maturity analysis of lease liabilities is presented in note 31.

Some of the property leases in which the group is the lessee contain variable lease payment terms that are linked to revenue generated from tuition fees and is used to reduce the fixed costs of those businesses. The amount of variable lease payments are disclosed in note 5.

Overall the variable payments constitute up to 13% (2020: 13%) of the group's entire lease payments. The group expects this ratio to remain constant in future years. The variable payments depend on sales and consequently on the overall economic development over the next few years.

There are certain leases within the group which have extension clauses. Where it is reasonably certain that these will be exercised, the extension term has been included in the determination of the right-of-use assets.

The total cash outflow for leases amounted to R161.0 million (2020: R158.5 million).

As at 1 January 2022, the group entered into various leases, which had not commenced by the year-end and as a result, lease liabilities and right-of-use assets have not been recognised for these leases.

	Cost				
2020	1 Jan 2020 R'm	Foreign currency effect R'm	Additions R'm	Terminations R'm	31 Dec 2020 R'm
Land and buildings	647.0	(2.8)	188.6	(98.4)	734.4
Computer equipment	0.6	–	–	–	0.6
Motor vehicles	–	–	1.4	–	1.4
	647.6	(2.8)	190.0	(98.4)	736.4

	Accumulated depreciation				
	1 Jan 2020 R'm	Foreign currency effect R'm	Depreciation R'm	Terminations R'm	31 Dec 2020 R'm
Land and buildings	263.1	(0.4)	128.1	(98.4)	292.4
Computer equipment	0.3	–	0.2	–	0.5
Motor vehicles	–	–	0.6	–	0.6
	263.4	(0.4)	128.9	(98.4)	293.5

	Net book value	
	31 Dec 2020 R'm	31 Dec 2019 R'm
Land and buildings	442.0	383.9
Computer equipment	0.1	0.3
Motor vehicles	0.8	–
	442.9	384.2

Notes to the consolidated financial statements

for the year ended 31 December 2021 *(continued)*

	Audited 2021 R'm	Audited 2020 R'm
15. Goodwill		
Cost		
Balance at beginning of the year	**1 452.4**	1 459.9
Disposal of subsidiaries	**–**	(4.3)
Foreign currency effect	**8.8**	(3.2)
Balance at end of the year	**1 461.2**	1 452.4

The group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

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. These are in line with the three year budgets which have been approved by the directors. The effects of the COVID-19 pandemic have been factored into the projections. The future cash flows are determined by taking the actual cash flow for the current year inflated by an expected growth rate for the CGU being considered. The future cash flows are supported by the underlying student numbers which are in line with expectations. Growth rates applied are determined based on past experience and industry trends relating to the CGU. Growth rates can fluctuate from year to year based on the assumptions used to determine these rates.

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 key assumptions used are as follows:

2021	**Goodwill**	**Indefinite life intangible assets**	**Period of projected cash flows**	**Applied growth rate**	**Terminal growth rate**	**Pre-taxation discount rate**	**Post-taxation discount rate**
Cash-generating unit	**R'm**	**R'm**	**Years**	**%**	**%**	**%**	**%**
Schools – South Africa	**1 095.0**	**84.6**	**5**	**7.0**	**4.7**	**14.71**	**12.23**
Schools – Rest of Africa*	**165.6**	**17.4**	**5**	**14.0**	**5.0**	**15.39**	**13.00**
Tertiary	**167.7**	**–**	**5**	**6.0**	**4.7**	**17.41**	**13.74**
Resourcing – South Africa	**7.7**	**–**	**5**	**6.0**	**4.7**	**17.18**	**15.33**
Resourcing – Rest of Africa	**25.2**	**–**	**5**	**6.0**	**5.0**	**18.93**	**17.27**
	1 461.2	**102.0**					

2020	Goodwill	Indefinite life intangible assets	Period of projected cash flows	Applied growth rate	Terminal growth rate	Pre-taxation discount rate	Post-taxation discount rate
Cash-generating unit	R'm	R'm	Years	%	%	%	%
Schools – South Africa	1 095.0	84.6	5	7.0	4.7	14.95	12.20
Schools – Rest of Africa*	157.8	16.6	5	14.0	5.0	14.41	12.80
Tertiary	167.7	–	5	6.0	4.7	17.59	13.50
Resourcing – South Africa	7.7	–	5	6.0	4.7	18.40	16.50
Resourcing – Rest of Africa	24.2	–	5	6.0	4.7	18.52	17.60
	1 452.4	101.2					

* *Higher growth rates are used in the Schools – Rest of Africa CGU as these are new schools that will grow faster in the early years.*

Notes to the consolidated financial statements

for the year ended 31 December 2021 *(continued)*

15. Goodwill *(continued)*

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. During the prior year the schools and resourcing division CGUs were split into South Africa and Rest of Africa in order to align to the operating segments due to the change in the manner of reporting to the chief operating decision maker. These CGUs are used for the purpose of performing the goodwill impairment calculations.

The estimated recoverable amounts of the CGUs exceeded their carrying value. Due to the headroom available, a 10% variation to management's cash flow estimates would not impact the result of the recoverable amount exceeding the carrying value. Management have used a reasonable possible variation of 10% in the determination of the sensitivity of the key inputs. On the discount rates, a 5% variation would not result in the recoverable amount falling below the carrying amount. These variation have been deemed reasonable based on management's analysis of the inputs and as such this provides relevant and sufficient guidance on the sensitivity of goodwill.

The directors were satisfied that there were no impairment adjustments required to goodwill and intangible assets.

16. Intangible assets

	Note	Customer bases R'm	Brand values R'm	**Total audited R'm**
Cost				
Balance at 1 January 2020		159.3	150.7	**310.0**
Foreign currency effect		0.4	–	**0.4**
Balance at 1 January 2021		159.7	150.7	**310.4**
Foreign currency effect		1.1	0.9	**2.0**
At 31 December 2021		160.8	151.6	**312.4**
Accumulated amortisation and impairment				
Balance at 1 January 2020		94.4	18.5	**112.9**
Impairment		–	24.9	**24.9**
Amortisation expense	5	9.0	1.4	**10.4**
Balance at 1 January 2021		103.4	44.8	**148.2**
Amortisation expense	5	7.2	1.0	**8.2**
At 31 December 2021		110.6	45.8	**156.4**
Carrying amount				
As at 31 December 2020		56.3	105.9	**162.2**
As at 31 December 2021		50.2	105.8	**156.0**

The following useful lives are used in the calculation of amortisation on a straight-line basis:

	Total useful life	**Remaining useful life**
Customer bases	10 to 15 years	3 to 11 years
Brand values	5 to 10 years, indefinite life	1 to 5 years, indefinite life

The key factor in assessing the useful life as indefinite is the reputation of a school which increases over time and is evidenced by increasing student numbers as it becomes entrenched in its community. The value of a school brand would increase as the school builds its reputation. The brand value of various schools acquired having a carrying amount of R102.0 million (2020: R101.2 million) have an indefinite life. The appropriateness of the indefinite useful life is assessed annually. 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 R24.9 million relating to the brand value of Maragon (in the schools division) were impaired in the prior year. The recoverable amount which was based on the value in use was considered to be Rnil and the assets were fully impaired. The reason for the impairment was the strategic re-positioning and re-branding of these schools which is currently in progress.

Notes to the consolidated financial statements

for the year ended 31 December 2021 *(continued)*

	Audited 2021 R'm	Audited 2020 R'm
17. Deferred taxation		
Opening deferred taxation	**(98.7)**	(130.4)
	0.3	41.0
Current year temporary differences	**(2.4)**	41.6
Foreign currency effect	**2.7**	(0.6)
Assessed losses written off	**–**	(4.8)
Business combinations	**–**	0.9
Prior year over/(under) provision	**0.1**	(5.4)
Balance at end of the year	**(98.3)**	(98.7)
The deferred tax balance is disclosed as follows:		
Deferred taxation assets	**53.8**	53.9
Deferred taxation liabilities	**(152.1)**	(152.6)
	(98.3)	(98.7)

Deferred taxation assets of R85.8 million (2020: R75.2 million) relating to taxation losses were raised in businesses where it is probable (based on current performance and approved forecasts) that sufficient taxable profits will be available in future to utilise the taxation losses.

Deferred taxation assets relating to temporary differences (other than taxation losses) arising in profitable businesses are recognised as it is probable that sufficient taxable profits will be available in future to realise these assets.

	Audited 2021 R'm	Audited 2020 R'm
The balance comprises:		
Deferred and prepaid expenditure	**(5.6)**	(3.6)
Allowance for future expenditure (S24C)	**(76.0)**	(69.2)
Fees received in advance	**76.7**	71.4
Commercial building allowance	**(111.7)**	(91.8)
Allowance for doubtful debts	**54.2**	62.9
Leave pay accrual	**9.5**	8.1
Other	**–**	1.6
Property, plant and equipment allowances	**(77.3)**	(69.7)
Estimated taxation losses carried forward	**85.8**	75.2
Net lease liabilities	**41.2**	33.7
Bonus provision	**25.5**	13.8
Management share incentive scheme awards (MSI)	**15.0**	7.2
Intangible assets	**(38.0)**	(40.3)
Fair value of land and buildings on acquisitions	**(97.6)**	(98.0)
	(98.3)	(98.7)
Deferred taxation accounted for in the statement of profit or loss:		
Deferred and prepaid expenditure	**(2.0)**	2.1
Allowance for future expenditure (S24C)	**(7.3)**	12.9
Fees received in advance	**5.3**	(3.3)
Commercial building allowance	**(19.9)**	(16.8)
Allowance for doubtful debts	**(8.7)**	13.0
Leave pay accrual	**1.4**	0.2
Other	**(1.6)**	1.6
Property, plant and equipment allowances	**(7.6)**	12.9
Movement in taxation losses	**11.0**	(0.9)
Net lease liabilities	**7.5**	5.0
Bonus provision	**11.7**	1.8
Management share incentive scheme awards (MSI)	**7.8**	2.0
Intangible assets	**2.3**	9.9
Fair value of land and buildings on acquisitions	**0.4**	0.6
	0.3	41.0

Notes to the consolidated financial statements

for the year ended 31 December 2021 *(continued)*

		Audited 2021 R'm	Audited 2020 R'm
18.	**Investment in joint venture**		
	Investment held at 1 January	**8.0**	7.6
	Dividend received	**(1.0)**	–
	Share of profit from joint venture	**0.9**	0.4
	Investment 50% held at 31 December	**7.9**	8.0
	The group holds a 50% interest in Star Schools Proprietary Limited (incorporated in South Africa), a company involved in matric re-writes and the supply of educational study guides, which is classified as a joint venture. The investment in the joint venture is accounted for using the equity accounting method.		
	Summarised aggregated financial information		
	Revenue	**35.2**	37.9
	Profit for the year	**1.6**	0.9
	Current assets	**5.0**	9.2
	Non-current assets	**3.5**	2.7
	Current liabilities	**(0.5)**	(5.7)
	Non-current liabilities	**(0.2)**	–
	Net asset value of Star Schools	**7.8**	6.2
19.	**Inventories**		
	Books	**8.8**	12.8
	Educational material and promotional items	**1.6**	4.6
		10.4	17.4
20.	**Trade and other receivables**		
	Amounts receivable for tuition fees	**528.7**	580.7
	Amounts receivable for placement fees	**36.1**	28.3
	Amounts receivable from the sale of goods and services	**–**	0.2
	Trade receivables	**564.8**	609.2
	Loss allowance	**(321.0)**	(375.7)
		243.8	233.5
	Deposits	**17.6**	14.9
	Staff debtors	**1.6**	1.3
	VAT refundable	**5.1**	0.6
	Other receivables*	**25.3**	20.0
		293.4	270.3

* *The majority of other receivables is made up of rentals receivable and withholding tax credits.*

	Audited 2021 R'm	Audited 2020 R'm
Profit or loss impact		
Credit losses#	**117.3**	263.6

Includes the profit or loss impact of net bad debts written-off and the movement in the loss allowance.

Notes to the consolidated financial statements

for the year ended 31 December 2021 *(continued)*

20. Trade and other receivables *(continued)*

The average credit period is 35 days (2020: 40 days). No interest is charged on outstanding trade receivables.

The group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses (ECL). This assessment takes into consideration the aging of the debtor as well as whether the student is still in the educational institution or has left in order to determine the risk. The COVID-19 pandemic resulted in the delay of payment with more debtors being included in the older and riskier debtor categories and resulted in an increased ECL in the prior year. The ECL on trade receivables are estimated using a provision calculation by reference to past default experience of the debtor category. Macro-economic factors that would impact the geographical areas where the group operates are also considered. However, the effect of this is not likely to be material.

The group measures the loss allowance of other debtors at an amount equal to lifetime ECL. Other debtors are usually short term in nature and are written off when considered irrecoverable. The loss allowance applicable to other debtors is not considered significant.

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. In the education institutions, debtors are considered in default when the account is more than 30 days overdue. However, these are written off only when the student is no longer in attendance and payments are not being received. In the resourcing division, debtors are written off when there is severe financial difficulty such as bankruptcy. Trade receivables that have been written off remain subject to enforcement activities.

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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.

Schools

	Performing	**In default**	**Total**	Performing	In default	Total
	2021			2020		
Gross carrying amount	**29.2**	**52.6**	**81.8**	44.9	94.5	139.4
Lifetime ECL	**(0.9)**	**(45.7)**	**(46.6)**	(1.3)	(81.1)	(82.4)
	28.3	**6.9**	**35.2**	43.6	13.4	57.0

Tertiary

	Performing	**In default**	**Total**	Performing	In default	Total
	2021			2020		
Gross carrying amount	**116.1**	**330.8**	**446.9**	76.8	364.5	441.3
Lifetime ECL	**(3.5)**	**(269.1)**	**(272.6)**	(2.3)	(289.9)	(292.2)
	112.6	**61.7**	**174.3**	74.5	74.6	149.1

Resourcing

	Performing & overdue	**In default**	**Total**	Performin & overdue	In default	Total
	2021			2020		
Gross carrying amount	**34.3**	**1.8**	**36.1**	27.4	1.1	28.5
Lifetime ECL	**(0.3)**	**(1.5)**	**(1.8)**	(0.3)	(0.8)	(1.1)
	34.0	**0.3**	**34.3**	27.1	0.3	27.4

Notes to the consolidated financial statements

for the year ended 31 December 2021 *(continued)*

20. Trade and other receivables (continued)

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	
	2021	2020
Balance at beginning of the year	**375.7**	301.2
Remeasurement of loss allowance	**138.1**	268.7
Amounts written off	**(192.8)**	(194.2)
Balance at end of the year	**321.0**	375.7

The table below explains how significant changes in the gross carrying amount of the trade receivables contributed to changes in the loss allowance:

	(Decrease)/increase in lifetime ECL			
	Not credit-impaired	**Credit-impaired**	Not credit-impaired	Credit-impaired
	2021		2020	
(Decrease)/increase in schools trade receivables	**(15.7)**	**(41.9)**	19.7	22.1
Increase/(decrease) in tertiary trade receivables	**39.3**	**(33.7)**	17.0	19.7
Increase/(decrease) in resourcing trade receivables	**6.9**	**0.7**	(16.7)	(0.3)

	Note	Audited 2021 R'm	Audited 2020 R'm
21. Cash and cash equivalents			
Bank balances and cash		**245.0**	181.7

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.

	Note	Audited 2021 R'm	Audited 2020 R'm
22. Non-current assets held for sale			
Land and buildings	12	**8.6**	48.8

The group continues to review its property needs and has implemented plans to consolidate and/or relocate certain schools and tertiary sites during the current and prior year. As a result of this, some land and buildings became vacant and were deemed surplus to requirements. Management committed to a plan to dispose of these assets and these were actively marketed to be sold at market value. The sales are expected to be realised within the next 12 months.

These assets are recorded at carrying value as the selling price is expected to exceed the book value of the assets.

Notes to the consolidated financial statements

for the year ended 31 December 2021 *(continued)*

23. Stated capital

Authorised

1 000 000 000 shares of no par value (2020: 1 000 000 000 shares)

	Number of shares 2021 'm	**Audited Stated capital 2021 R'm**	Number of shares 2020 'm	Audited Stated capital 2020 R'm
Issued				
Balance at 1 January	**551.8**	**1 566.3**	548.8	1 539.0
Shares issued for the management share incentive scheme	**2.7**	**35.3**	3.0	27.3
Share issue costs	**–**	**(0.1)**	–	–
Balance at 31 December	**554.5**	**1 601.5**	551.8	1 566.3

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.

24. ADvTECH share incentive scheme

Certain employees and executive directors were 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. No new options will be granted under this scheme as it has been replaced by the MSI as disclosed in note 25.

Date options granted	Expiry date year ending	Exercise price of outstanding options (cents)	Weighted average estimated contractual life (years)	Fair value at grant date (cents)
19 November 2015	31 Dec 2021	1 260	3.8	423
20 October 2016	31 Dec 2022	1 696	3.5	597

Reconciliation of options	**Number of share options 2021**	**Weighted average exercise price (cents) 2021**	Number of share options 2020	Weighted average exercise price (cents) 2020
Options outstanding on 1 January	**2 155 880**	**1 470**	2 687 514	1 364
Less – Exercised	**(770 879)**	**1 260**	(5 000)	820
– Lapsed	**(357 869)**	**1 276**	(526 634)	934
Options outstanding at 31 December	**1 027 132**	**1 696**	2 155 880	1 470

As at 31 December 2021 there were 64 (2020: 73) participants (including executive directors) in the ADvTECH share incentive scheme.

Notes to the consolidated financial statements

for the year ended 31 December 2021 *(continued)*

24. ADvTECH share incentive scheme *(continued)*

Reconciliation of shares owned	Number of shares 2021	Number of shares 2020	Shares held by share incentive trust R'm 2021	Shares held by share incentive trust R'm 2020
Shares owned by the trust as at 1 January	**2 151 559**	2 732 693	**12.0**	15.3
Less – Shares transferred to MSI (Refer to note 25)	**(30 000)**	(576 134)	**(0.2)**	(3.3)
– Options exercised during the year	**(770 879)**	(5 000)	**(4.2)**	–
Shares owned by the trust at 31 December	**1 350 680**	2 151 559	**7.6**	12.0

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 group recognised a total expense of R0.9 million (2020: R1.8 million) related to share-based payment transactions during the year.

25. 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 MSI 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
18 September 2019	31 Dec 2022	1 167
16 September 2020	31 Dec 2023	904
21 May 2021	31 Dec 2024	1 320

Reconciliation of awards	2021 Number of share awards	2021 Weighted average price (cents)	2020 Number of share awards	2020 Weighted average price (cents)
Awards outstanding on 1 January	**9 824 706**	**1 109**	6 803 798	1 395
Add – Awards granted during the year	**2 817 016**	**1 320**	4 705 127	904
Less – Vested	**(1 125 191)**	**1 485**	(571 676)	1 715
– Forfeited	**(863 030)**	**1 485**	(1 006 590)	1 715
– Forfeited due to employees leaving the group	**(156 007)**	**1 298**	(105 953)	1 354
Awards outstanding at 31 December	**10 497 494**	**1 092**	9 824 706	1 109

As at 31 December 2021 there were 35 (2020: 35) participants (including executive directors) in the MSI.

Notes to the consolidated financial statements

for the year ended 31 December 2021 *(continued)*

25. ADvTECH management Share Incentive Scheme (MSI) *(continued)*

	Number of shares	
Reconciliation of shares owned	**2021**	2020
Shares owned by the group as at 1 January	**9 824 710**	6 803 802
Add – Shares bought from the Share Incentive trust (Refer to note 24)	**30 000**	576 134
– Shares issued into the MSI	**2 676 565**	3 016 450
Less – Share awards vested during the year	**(1 125 191)**	(571 676)
Shares owned by the group at 31 December	**11 406 084**	9 824 710

The group recognised total expenses of R44.7 million (2020: R17.1 million) related to the MSI during the year.

Certain subsidiaries within the resourcing division have made share based payment awards using their own shares for which an expense of R6.8 million has been recognised during the year.

	Audited 2021 R'm	Audited 2020 R'm
26. Long-term bank loans		
Secured term loans	**1 200.0**	1 800.0
Disclosed as:		
Current liabilities	**600.0**	600.0
Non-current liabilities	**600.0**	1 200.0
	1 200.0	1 800.0
Reconciliation of the long-term bank loans balance		
Balance at 1 January	**1 800.0**	1 800.0
Capital repayments	**(600.0)**	–
Interest accrued	**82.0**	120.7
Interest paid	**(82.0)**	(120.7)
Balance at 31 December	**1 200.0**	1 800.0

The directors consider that the carrying amount of long-term bank loans approximates their fair value.

The secured term loans are made up of three secured term facilities, namely secured term loan A, B and C.

Secured term loan A was a three year facility amounting to R600.0 million which came into effect on 28 September 2018 and attracted interest at JIBAR + 1.65%. Secured term loan A was settled on 30 June 2021.

Secured term loan B is a four year facility amounting to R600.0 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 R600.0 million which came into effect on 28 September 2018 and attracts interest at JIBAR + 1.90%.

These facilities and the revolving credit facility in note 27 are secured by mortgage bonds over properties having a net book value of R2 715.6 million (2020: R2 593.3 million). Refer to note 12.

Refer to note 36 for details of securities on the term loans.

Notes to the consolidated financial statements

for the year ended 31 December 2021 *(continued)*

		Audited 2021 R'm	Audited 2020 R'm
27.	**Short-term bank loans**		
	Group revolving credit facility	**591.4**	410.0
	Kenyan subsidiary revolving credit facility	**–**	31.2
		591.4	441.2
	Reconciliation of the short-term bank loans balance		
	Balance at 1 January	**441.2**	880.1
	Foreign currency effect	**1.8**	–
	Capital drawdowns	**590.0**	410.0
	Capital repayments	**(441.2)**	(848.9)
	Interest accrued	**10.0**	15.3
	Interest paid	**(8.6)**	(15.3)
	Balance at 31 December	**593.2**	441.2

The group revolving credit facility and the secured term loans (as per note 26) are secured by mortgage bonds over properties having a net book value of R2 715.6 million (2020: R2 593.3 million). Refer to notes 12, 26 and 36.

The directors consider that the carrying amount of the short-term bank loans approximates their fair value.

Group revolving credit facility

Effective from 2 December 2020, this represents a R950.0 million revolving credit facility available to the group for a 3 year period.

The facility utilised attracts interest at the following rates:

- total drawdowns are less than one third of the facility available: JIBAR + 2.0%
- total drawdowns are greater than one third but less than two thirds of the facility available: JIBAR + 2.1%
- total drawdowns are greater than two thirds of the facility available: JIBAR + 2.2%

The group has the option to make draw-downs for periods of one, three and six months (or for a shorter period agreed with the lender) and may elect to roll these for further periods.

Prior to 2 December 2020, this represented a R950.0 million revolving credit facility that was available to the group commencing on 28 September 2018 and terminating on 2 December 2020.

The replaced facility attracted 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 had the option to make draw-downs for periods of one, three and six months and could have elected to roll these for further periods.

Kenyan subsidiary revolving credit facility

This represents a KES 303.0 million revolving credit facility that is available to Makini Schools Limited (a partially owned subsidiary) for a period of three years. The facility bears interest at the Kenya Central Bank Rate plus 3.25%. This facility was settled and closed during December 2021.

Refer to note 36 for details of securities.

Notes to the consolidated financial statements

for the year ended 31 December 2021 *(continued)*

		Audited 2021 R'm	Audited 2020 R'm
28.	**Trade and other payables**		
	Trade payables and accruals	**503.4**	418.0
	Leave pay accrual	**35.2**	29.1
		538.6	447.1

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.

		Audited 2021 R'm	Audited 2020 R'm
29.	**Acquisition liabilities**		
	Acquisition liabilities	**55.6**	53.9
	Disclosed as:		
	Current liabilities	**7.3**	3.8
	Non-current liabilities	**48.3**	50.1
		55.6	53.9

A portion of the acquisition consideration of Pinnacle Colleges 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. At year end the seller is entitled to allocate a further R7.3 million (2020: R3.8 million) and there is an expectation that this could be settled within the next 12 months.

		Audited 2021 R'm	Audited 2020 R'm
30.	**Fees received in advance and deposits**		
	Fees received in advance (i)	**323.7**	272.3
	Deposits (ii)	**36.4**	38.5
	Total	**360.1**	310.8

There were no significant changes in the contract liability balance during the reporting period.

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:

	Audited 2021 R'm	Audited 2020 R'm
Fees received in advance	**272.3**	286.3

(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 2021 and 31 December 2020 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 33.

Notes to the consolidated financial statements

for the year ended 31 December 2021 *(continued)*

			Audited 2021 R'm	Audited 2020 R'm
31.	**Lease liabilities**			
	Lease liabilities		**757.7**	565.0
	Disclosed as:			
	Current liabilities		**165.8**	137.7
	Non-current liabilities		**591.9**	427.3
			757.7	565.0
	Balance as at 1 January		**565.0**	485.5
	Foreign currency effect		**5.0**	(3.0)
	Additions and modifications		**284.1**	180.4
	Terminations		**(2.5)**	–
	Finance costs on lease liabilities	6.3	**67.0**	60.6
	Repayment of lease liabilities		**(160.9)**	(158.5)
	Balance as at 31 December		**757.7**	565.0
	Maturity analysis – undiscounted cash flows			
	Year 1		**165.8**	137.7
	Year 2		**143.3**	125.8
	Year 3		**124.7**	101.3
	Year 4		**106.6**	87.6
	Year 5		**98.9**	71.5
	Onwards		**992.1**	567.0

The group applied an incremental borrowing rate on new leases ranging between 5.2% (2020: 5.2%) and 11.0% (2020: 7.5%) to determine the lease liabilities depending on the length of the lease, the jurisdiction and the market interest rates.

The group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored at a group level. Please refer to note 33 for details on how the group manages its liquidity risk.

		Audited 2021 R'm	Audited 2020 R'm
32.	**Commitments**		
32.1	**Capital commitments**		
	Capital expenditure approved by the directors:		
	Contracted but not provided for	**499.3**	293.0
	Not contracted	**889.3**	576.2
		1 388.6	869.2
	Capital commitments will be financed through existing facilities and cash generated by operations.		
	Anticipated timing of spend:		
	0 – 1 year	**489.2**	282.4
	1 – 2 years	**274.0**	139.7
	3 – 5 years	**536.6**	152.4
	more than 5 years	**88.8**	294.7
		1 388.6	869.2
32.2	**Equipment lease commitments in cash**		
	0 – 1 year	**1.1**	1.6
	2 – 5 years	**0.8**	1.5
		1.9	3.1

The leases relate to equipment with various lease terms. The commitments include specified escalations in lease payments.

Notes to the consolidated financial statements

for the year ended 31 December 2021 *(continued)*

	Audited 2021 R'm	Audited 2020 R'm
33. Financial instruments		
Categories of financial instruments		
Financial assets		
Amortised cost		
Trade and other receivables	**293.4**	270.3
Bank balances and cash	**245.0**	181.7
Financial liabilities		
Amortised cost		
Long-term bank loans	**1 200.0**	1 800.0
Short-term bank loans	**591.4**	441.2
Trade and other payables	**503.4**	418.0
Deposits	**36.4**	38.5
Shareholders for dividends	**1.6**	1.5

Financial risk management objectives and policies

The group's principal financial instruments comprise bank loans, 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. 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 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 loans and short-term bank loans.

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 have 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 2021 amounted to R2 265.0 million (2020: R2 905.6 million) of which R1 790.0 million (2020: R2 241.2 million) has been utilised at year-end. The group did not breach any of its covenants during the year ended 31 December 2021. The group's covenants as per its borrowing facilities are disclosed below:

Covenant	Criteria	Audited 2021	Audited 2020
Interest cover ratio	Greater than 3.5 times	**8.8 times**	6.1 times
Total net borrowings to EBITDA ratio	less than 3.5 times	**1.7 times**	2.2 times

Notes to the consolidated financial statements

for the year ended 31 December 2021 *(continued)*

33. Financial instruments *(continued)*

All financial assets are expected to be realised within 1 year. The table below analyses the groups financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity set at the earliest date on which the group may be required to pay. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Capital outflow as at 31 December 2021		Capital outflow as at 31 December 2020	
	Less than 1 year R'm	**Less than 2 years R'm**	Less than 1 year R'm	Less than 3 years R'm
Secured term loans	**600.0**	**600.0**	600.0	1 200.0
Revolving credit facility	**591.4**	**–**	441.2	–
Trade payables and accruals	**503.4**	**–**	418.0	–
Deposits	**36.4**	**–**	38.5	–
Total	**1 731.2**	**600.0**	1 497.7	1 200.0

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 mitigated.

The group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The group determines the ECL 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 20 includes 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 months ECL. 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.

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 has 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 R16.1 million (2020: R19.3 million).

The group's sensitivity to interest rates have decreased during the current year mainly due to the decrease in the long-term bank loans in place as detailed in notes 26 and 27.

Notes to the consolidated financial statements

for the year ended 31 December 2021 *(continued)*

33. Financial instruments *(continued)*

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 1 December 2021 Less than 1 year R'm	Interest outflow as at 1 December 2021 Less than 2 years R'm	Interest outflow as at 31 December 2020 Less than 1 year R'm	Interest outflow as at 31 December 2020 Less than 3 years R'm
Secured term loans	Variable	**57.8**	**24.9**	97.5	196.5
Revolving credit facility	Variable	**2.2**	**–**	6.6	–
Total		**60.0**	**24.9**	104.1	196.5

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 2021	Liabilities 2020	Assets 2021	Assets 2020
United States Dollar	**2.4**	0.7	**4.5**	5.2
Great British Pound	**0.3**	–	**–**	–
Australian Dollar	**–**	–	**0.2**	–
Mauritian Rupee	**–**	0.1	**0.1**	0.2
Euro	**6.7**	4.1	**4.5**	7.1

The group's foreign currency exposure risk has not changed significantly year on year. The payables and receivables consist of invoices denominated in a foreign currency and are expected to be settled in a relatively short period of time. Fluctuations in the exchange rates are unlikely to have a material impact on the group's results.

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.

Notes to the consolidated financial statements

for the year ended 31 December 2021 *(continued)*

	Notes	Audited 2021 R'm	Audited 2020 R'm
34. Notes to the statement of cash flows			
34.1 Cash generated from operations			
Profit before taxation		**959.1**	674.5
Adjusted for non-cash IFRS and other adjustments (before taxation)		**48.6**	10.5
		1 007.7	685.0
Adjustments:		**464.2**	579.5
Depreciation, amortisation and impairment		**314.5**	382.4
Net finance costs	6	**161.4**	204.8
Gain on settlement of contingent consideration	5	**–**	(13.0)
Loss on disposal of subsidiaries	5	**–**	6.7
Profit on disposal of property, plant and equipment	5	**(11.3)**	(1.4)
Profit on right-of-use assets from early termination of leases		**(0.4)**	–
		1 471.9	1 264.5
34.2 Movement in working capital			
Decrease in inventories		**7.0**	4.8
(Increase)/decrease in trade and other receivables and prepayments		**(26.3)**	64.3
Increase/(decrease) in trade and other payables and provisions		**87.5**	(3.5)
Increase/(decrease) in fees received in advance and deposits		**49.3**	(17.6)
Net inflow in working capital		**117.5**	48.0
34.3 Taxation paid			
Balance at beginning of the year		**7.0**	39.0
Disposal of subsidiaries		**–**	(1.7)
Current charge (including foreign currency effect)		**(280.1)**	(242.7)
Taxation on equity item		**(0.1)**	(0.4)
Foreign taxation credits		**0.2**	0.3
Balance at end of the year		**(36.3)**	(7.0)
Cash amount paid		**(309.3)**	(212.5)
34.4 Dividends paid			
Balance at beginning of the year		**(1.5)**	(1.5)
Declared during the year	11	**(223.9)**	(3.8)
Balance at end of the year		**1.6**	1.5
Cash amount paid		**(223.8)**	(3.8)
34.5 Additions to property, plant and equipment to maintain operations			
Land and buildings		**(43.6)**	(22.1)
Computer equipment		**(33.4)**	(36.8)
Computer software		**(0.3)**	(1.7)
Furniture, fittings and equipment		**(28.9)**	(19.1)
Motor vehicles		**(0.7)**	(2.7)
Video equipment		**(5.8)**	(5.1)
Leasehold improvements		**(33.3)**	(7.5)
		(146.0)	(95.0)

Notes to the consolidated financial statements

for the year ended 31 December 2021 *(continued)*

		Audited 2021 R'm	Audited 2020 R'm
34.	**Notes to the statement of cash flows** *(continued)*		
34.6	**Additions to property, plant and equipment to expand operations**		
	Land and buildings	**(110.6)**	(93.0)
	Computer equipment	**(19.2)**	(17.6)
	Furniture, fittings and equipment	**(30.8)**	(20.5)
	Motor vehicles	**(1.3)**	(0.9)
	Video equipment	**(1.3)**	(1.3)
	Leasehold improvements	**(20.8)**	(38.7)
		(184.0)	(172.0)
34.7	**Free operating cash flow before capex per share**		
	Profit for the year	**679.4**	465.5
	Adjusted for non-cash IFRS and other adjustments (after taxation)	**48.6**	10.5
	Net operating profit after taxation – adjusted for non-cash IFRS and other adjustments	**728.0**	476.0
	Depreciation, amortisation and impairment	**314.5**	382.4
	Repayment of lease liabilities	**(94.0)**	(97.9)
	Taxation adjustment on IFRS 16 leases	**(6.3)**	(8.7)
	Other non-cash flow items (after taxation)	**(8.1)**	(1.0)
	Operating cash flow after taxation	**934.1**	750.8
	Movement in working capital	**117.5**	48.0
	Free operating cash flow before capex	**1 051.6**	798.8
	Free operating cash flow before capex per share (cents)*	**194.7**	148.1

* *The number of normal treasury shares in issue have been restated. Refer to note 40 for more information.*

Notes to the consolidated financial statements

for the year ended 31 December 2021 *(continued)*

35. 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 4 of the company annual financial statements for details of group entities.

Directors, prescribed officers and senior executive remuneration

Emoluments paid to executive directors and prescribed officers of the group (excluding gains on share options exercised) for the ended 31 December 2021, are set out below:

	Salary R	Long service award R	Bonus R	Expense allowances R	Provident fund contributions R	**Total 2021 R**	Total 2020 R
Executive							
RJ Douglas	4 095 255	–	4 588 973	180 000	545 095	**9 409 323**	6 198 242
JDR Oesch	3 065 699	–	2 787 438	150 000	410 002	**6 413 139**	4 460 562
Total executive directors	7 160 954	–	7 376 411	330 000	955 097	**15 822 462**	10 658 804
Prescribed officers							
MD Aitken	2 599 655	6 000	2 328 307	292 524	203 974	**5 430 460**	3 798 877
FJ Coughlan	2 669 261	–	–	232 524	347 981	**3 249 766**	3 702 823
DL Honey	2 987 819	–	2 780 819	189 444	393 187	**6 351 269**	3 660 639
Total prescribed officers	8 256 735	6 000	5 109 126	714 492	945 142	**15 031 495**	11 162 339

Emoluments paid to non-executive directors of the group for the ended 31 December 2021, are set out below:

	Board R	Audit and risk committee R	Remune-ration committee R	Transfor-mation, social and ethics committee R	Investment committee R	**Total 2021 R**	Total 2020 R
CH Boulle	597 436	–	–	3 843	92 138	**693 417**	667 683
JS Chimhanzi	330 570	102 037	–	40 473	–	**473 080**	490 161
BM Gourley	–	–	–	–	–	**–**	87 422
KM Gugushe	330 570	102 037	–	99 099	–	**531 706**	414 795
JM Hofmeyr	131 059	–	20 742	44 513	–	**196 314**	468 871
JD Jansen	–	–	–	–	–	**–**	192 032
SS Lazar	124 915	–	–	–	3 942	**128 857**	–
SC Masie	–	–	–	–	–	**–**	228 259
MM Nkosi	229 086	–	37 712	–	38 001	**304 799**	–
C Thomson	292 718	91 714	3 388	–	40 892	**428 712**	–
KDM Warburton	330 570	186 525	62 702	–	52 295	**632 092**	605 093
JS Zimmermann	157 271	–	24 891	–	17 269	**199 431**	506 282
SA Zinn	330 570	–	80 944	66 533	14 293	**492 340**	512 388
Total non-executive	2 854 765	482 313	230 379	254 461	258 830	**4 080 748**	4 172 986

An amount of R382 628 (2020: R267 775) relating to value-added tax was paid on director fees.

Notes to the consolidated financial statements

for the year ended 31 December 2021 *(continued)*

35. Related party transactions *(continued)*

MSI scheme

The directors and prescribed officers were awarded the following shares at 31 December 2021:

	Share awards as at 31 December 2020	Share awards awarded during the year	Share awards vested during the year		Share awards forfeited during the year*	**Share awards as at 31 December 2021**
	Number	Number	Number	Benefit arising on vesting of awards (R)	Number	**Number**
Directors						
RJ Douglas	301 758		163 048	2 828 883	138 710	**–**
	397 162					**397 162**
	607 097					**607 097**
		354 177				**354 177**
JDR Oesch	171 300		92 558	1 605 881	78 742	**–**
	238 985					**238 985**
	365 310					**365 310**
		213 120				**213 120**
Prescribed officers						
MD Aitken	155 793		84 179	1 460 506	71 614	**–**
	205 048					**205 048**
	311 955					**311 955**
		181 993				**181 993**
FJ Coughlan	110 079		59 478	1 031 943	50 601	**–**
	155 747					**155 747**
	239 196					**239 196**
		145 127				**145 127**
DL Honey	171 180		92 493	1 604 754	78 687	**–**
	242 198					**242 198**
	349 265					**349 265**
		203 759				**203 759**
	4 022 073	1 098 176	491 756	8 531 967	418 354	**4 210 139**

* *This relates to awards forfeited due to performance targets not being met.*

Notes to the consolidated financial statements

for the year ended 31 December 2021 *(continued)*

35. Related party transactions *(continued)*

Share incentive scheme

The directors and prescribed officers held the following share options at 31 December 2021:

	Share options as at 31 December 2020		Share options exercised during the year			**Share options as at 31 December 2021**
	Number	Exercise price (cents)	Number	Market price at exercise date (cents)	Benefit arising on exercise of options (R)	**Number**
Directors						
RJ Douglas	50 000	1 260	50 000	1 618	179 000	**–**
	55 533	1 696				**55 533**
JDR Oesch	50 000	1 260	50 000	1 548	144 000	**–**
	41 100	1 696				**41 100**
Prescribed officers						
MD Aitken	11 667	1 696				**11 667**
FJ Coughlan	72 000	1 260	72 000	1 844	420 480	**–**
	30 133	1 696				**30 133**
DL Honey	80 000	1 260	80 000	1 831	456 800	**–**
	41 100	1 696				**41 100**
	431 533		252 000		1 200 280	**179 533**

Details regarding directors' and prescribed officers' interests are disclosed in the directors' report on pages 99 to 101.

36. 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 and The Independent Institute of Education (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 715.6 million (2020: R2 593.3 million). As at 31 December 2021 the total amount of facilities utilised amounted to R1 790.0 million (2020: R2 210.0 million) and overdrafts utilised amounted to Rnil (2020: Rnil million) as per notes 26 and 27.

37. Acquisition of additional shares in subsidiaries

37.1 Oxbridge Academy Proprietary Limited

A further 44% of Oxbridge Academy Proprietary Limited was acquired on 1 May 2021 for a cash consideration of R8.4 million. The total holding is 95% of the share capital. Oxbridge Academy Proprietary Limited has been consolidated since control was acheived in 2016.

37.2 Schole Mauritius Limited

A further 3.97% of Schole Mauritius Limited was acquired on 2 December 2021 through the capitalisation of loans which diluted the shareholding of the non-controlling interest. The total holding is 94.15% of the share capital.

Notes to the consolidated financial statements

for the year ended 31 December 2021 *(continued)*

38. Going concern

The annual financial statements of the group and company are prepared on a going concern basis.

Fees received in advance contributes a significant part of the negative working capital (excluding short term funding) where the obligation relates to providing services rather than the outflow of cash. Although current liabilities exceed current assets, their is sufficent receivables and cash to settle trade and other payables. The group also generates significant cash flow at the beginning of each year and is able to settle its liabilities in the ordinary course of business.

The directors have reviewed and approved the group and company budget and cash flow forecasts prepared by management. These forecasts have taken into account the potential revenue, costs (including the credit losses) and the expected level of capital expenditure. The directors have compared these forecasts against the cash reserves and borrowing facilities available to the group. It is concluded that the group will remain comfortably within its existing bank facility limits and covenants for at least the next 12 months from the date of approval of these annual financial statements with significant headroom available. Management prepared a detailed profit or loss, cash flow and balance sheet forecast. This forecast has been reviewed and approved by the board of directors.

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.

39. Events after the reporting period

The Minister of finance announced on 24 February 2021 an intention to reduce the corporate taxation rate to 27% as well as the review of various taxation incentives and allowances. The Minister further announced on 23 February 2022 that the change is effective for years of assessment ending on or after 31 March 2023. This is considered a non-adjusting post balance sheet event and the group will monitor the legislative changes in this regard. An estimate of the impact was not performed at 31 December 2021 but will be considered during the 2022 year.

The directors are not aware of any other 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 2021 or the financial position at that date.

40. Prior year restatements

40.1 Treasury share restatements

Shares held within the group for the management share incentive scheme were recognised as issued and presented as stated capital in the prior year. This was due to an error in the interpretation of the IFRS requirements for these shares. The restrictions and vesting conditions applicable to these shares require them to be treated as unissued and therefore presented as treasury shares. This results in a reclassification between different line items within equity in the prior year. The reclassification also results in a change to the prior year weighted average number of shares used for the purpose of calculating basic earnings per share and diluted earnings per share by increasing the number of treasury shares taken into account for this calculation. There were no changes to the earnings for the prior year. The impact is as follows:

Impact on the consolidated statement of changes in equity and consolidated statement of financial position

	As previously reported Audited 2019	Impact of restatement	As restated Audited 2019
Shares held by the group	(15.3)	(61.2)	(76.5)
Share incentive reserve	3.4	61.2	64.6
	(11.9)	–	(11.9)

	As previously reported Audited 2020	Impact of restatement	As restated Audited 2020
Shares held by the group	(12.0)	(92.2)	(104.2)
Share incentive reserve	(8.7)	92.2	83.5
	(20.7)	–	(20.7)

Impact on weighted average number of shares			
Weighted average number of shares ('m)	549.0	–	549.0
Less: Weighted average number of shares held by the group ('m)	(7.4)	(2.2)	(9.6)
Weighted average number of shares for purposes of basic earnings per share ('m)	541.6	(2.2)	539.4
Dilutive effect of share options ('m)	–	1.2	1.2
Weighted average number of shares for purposes of diluted earnings per share ('m)	541.6	(1.0)	540.6

Notes to the consolidated financial statements

for the year ended 31 December 2021 *(continued)*

40. Prior year restatements *(continued)*

	As previously reported Audited 2020	Impact of restatement	As restated Audited 2020
Impact on basic and diluted earnings per share			
Basic (cents)	85.1	0.4	85.5
Diluted (cents)	85.1	0.2	85.3
Impact on basic and diluted headline earnings per share			
Basic (cents)	91.2	0.4	91.6
Diluted (cents)	91.2	0.2	91.4
Impact on basic and diluted normalised earnings per share			
Basic (cents)	89.8	0.4	90.2
Diluted (cents)	89.8	0.2	90.0

40.2 Restatements on the consolidated statement of comprehensive income and consolidated segmental report

Consolidated statement of comprehensive income

Profit on disposal of property, plant and equipment amounting to R1.4 million has been reclassified as a non-trading item due to the non-recurring nature of these transactions. This is to improve the comparability of the results from year to year. . The effect on EBITDA and operating profit before interest and non-trading items is reflected below.

Consolidated segmental report

In addition, there was an allocation error in depreciation and amortisation (which also affected EBITDA) and current assets which resulted in amounts being allocated to the schools South Africa division instead of the tertiary division. The impact of this is also reflected below.

	As previously reported Audited 2020	Impact of restatement	As restated Audited 2020
Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA)	1 255.9	(1.4)	1 254.5
Schools	566.6	(45.3)	521.3
– South Africa	558.5	(46.1)	512.4
– Rest of Africa	8.1	0.8	8.9
Tertiary	671.1	43.7	714.8
Resourcing	18.2	0.2	18.4
– South Africa	(5.8)	0.2	(5.6)
– Rest of Africa	24.0	–	24.0
Depreciation and amortisation			
Schools – South Africa	179.9	(43.5)	136.4
Tertiary	132.6	43.5	176.1
Operating profit before interest and non-trading items	909.5	(1.4)	908.1
Schools	368.3	(1.8)	366.5
– South Africa	378.6	(2.6)	376.0
– Rest of Africa	(10.3)	0.8	(9.5)
Tertiary	538.5	0.2	538.7
Resourcing	2.7	0.2	2.9
– South Africa	(18.7)	0.2	(18.5)
– Rest of Africa	21.4	–	21.4
Current assets			
Schools – South Africa	198.0	(30.3)	167.7
Tertiary	119.6	30.3	149.9

Company statement of comprehensive income

for the year ended 31 December 2021

	Notes	**Audited 2021 R'm**	Restated* Audited 2020 R'm
Revenue	1	**200.0**	–
Other income*		**10.5**	10.0
Staff costs	2	**(5.5)**	(5.5)
Other operating expense*		**(4.9)**	(4.4)
Profit before taxation	2	**200.1**	0.1
Taxation	3	**(0.1)**	–
Profit for the year#		**200.0**	0.1

The company did not earn other comprehensive income during the year.

* *The other income (which is the admin fee received as per note 11) had previously been set off against other operating expenses. This error has been corrected by presenting these as 2 separate lines which enhances the disclosure provided.*

Company statement of financial position

as at 31 December 2021

	Notes	Audited 2021 R'm	Restated Audited 2020 R'm
ASSETS			
Non-current assets			
Investments in subsidiaries at cost	4	**658.4**	658.4
		658.4	658.4
Current assets			
Loans to subsidiaries	4	**941.2**	877.8
Trade and other receivables	5	**4.1**	36.6
Prepayments		**0.1**	0.6
Taxation		**–**	0.1
		945.4	915.1
Total assets		**1 603.8**	1 573.5
EQUITY AND LIABILITIES			
Capital and reserves			
Total stated capital	6	**1 601.5**	1 566.3
Treasury shares held by the share incentive trust#		**(7.6)**	(12.0)
Stated capital		**1 593.9**	1 554.3
Share incentive reserve		**43.2**	37.6
Accumulated loss		**(37.8)**	(22.8)
Total equity		**1 599.3**	1 569.1
Current liabilities			
Trade and other payables	7	**2.1**	2.1
Shareholders for capital distribution		**0.8**	0.8
Shareholders for dividend		**1.6**	1.5
		4.5	4.4
Total equity and liabilities		**1 603.8**	1 573.5

As the company is the beneficial holders of the ADvTECH Limited shares held by the Share Incentive Trust, these shares are, thus, considered to be treasury shares and are excluded from the stated capital of the company. Comparative figures have been restated to show the impact in the prior year.

Company statement of changes in equity

for the year ended 31 December 2021

	Note	Total stated capital R'm	Treasury shares held by the share incentive trust# R'm	Share incentive reserve R'm	Accumulated loss R'm	Total equity R'm
Restated balance at 1 January 2020#		1 539.1	(15.3)	36.1	(22.9)	1 537.0
Total profit and comprehensive income for the year					0.1	0.1
Shares issued	6	27.3				27.3
Share issue costs	6	(0.1)				(0.1)
Share options forfeited			3.3			3.3
Share awards under the management share incentive scheme (MSI)**				1.9		1.9
Taxation effect of share awards under the management share incentive scheme (MSI)				(0.4)		(0.4)
Restated balance at 31 December 2020#		**1 566.3**	**(12.0)**	**37.6**	**(22.8)**	**1 569.1**
Total profit and comprehensive income for the year					200.0	200.0
Dividends declared to shareholders*					(215.0)	(215.0)
Shares issued	6	35.3				35.3
Share issue costs	6	(0.1)				(0.1)
Effect of share options exercised or forfeited**			4.4	5.5		9.9
Share awards under the management share incentive scheme (MSI)**				0.2		0.2
Taxation effect of share awards under the management share incentive scheme (MSI)				(0.1)		(0.1)
Balance at 31 December 2021		**1 601.5**	**(7.6)**	**43.2**	**(37.8)**	**1 599.3**

* *Refer to note 11 of the consolidated annual financial statements.*

** *Refer to notes 24 and 25 of the consolidated annual financial statements for details on the share incentive schemes.*

As the company is the beneficial holders of the ADvTECH Limited shares held by the Share Incentive Trust, these shares are, thus, considered to be treasury shares and are excluded from the stated capital of the company. Comparative figures have been restated to show the impact in the prior year. The gains/losses on the disposal of these shares is accounted for within equity in the share incentive reserve column.

Company statement of cash flows

for the year ended 31 December 2021

	Notes	Audited 2021 R'm	Restated Audited 2020 R'm
Cash flows from operating activities			
Cash generated from operations	10.1	**0.1**	0.1
Movement in working capital*	10.2	**33.0**	7.6
Cash generated by operating activities		**33.1**	7.7
Taxation paid	10.3	**(0.1)**	(1.4)
Dividends paid	10.4	**(214.9)**	–
Net cash (outflow)/inflow from operating activities		**(181.9)**	6.3
Cash flows from investing activities#			
Increase in loans to subsidiaries*		**136.9**	(6.3)
Net cash inflow/(outflow) from investing activities		**136.9**	(6.3)
Cash flows from financing activities			
Shares issued		**35.3**	–
Proceeds from share options exercised in the Share Incentive Trust		**9.7**	–
Net cash inflow from financing activities		**45.0**	–
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		**–**	–

* *Dividend income of R200 million (2020: Rnil) from The Independent Institute of Education Proprietary Limited was a non-cash transaction as it was not received at year end and is included in the closing balance of loans to subsidiaries. The issue of shares to related parties for the Management Share Incentive scheme ("MSI") in the prior year for an amount of R27.2 million was a non-cash transaction as the amount was not received at year end and was included in the closing balance of loans to subsidiaries.*

\# *The increase in loans to subsidiaries has been correctly reclassified as an investing activity. The prior year movement has been restated.*

Notes to the company financial statements

for the year ended 31 December 2021

The accounting policies applied are consistent with the group accounting policies detailed on pages 108 to 117.

		Audited 2021 R'm	Audited 2020 R'm
1.	**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	**200.0**	–
2.	**Profit before taxation**		
	Profit before taxation is stated after taking the following into account:		
	Auditors' remuneration – current year audit fee	**1.8**	1.7
	Directors' emoluments – for services as directors	**4.1**	4.2
	Directors' emoluments – VAT on non-executive director fees	**0.4**	0.3
	Staff costs	**1.0**	1.0
	Total staff costs	**5.5**	5.5
3.	**Taxation**		
3.1	**Taxation expense comprises**		
	Total taxation expense	**0.1**	–
3.2	**Reconciliation of taxation**		
	Profit before taxation	**200.1**	0.1
	Taxation at 28%	**56.0**	–
	Permanent differences	**(55.9)**	–
	Disallowable expenditure – legal and consulting fees	**0.1**	–
	Non-taxable income – dividend received	**(56.0)**	–
	Taxation expense recognised in profit	**0.1**	–

Notes to the company financial statements

for the year ended 31 December 2021 *(continued)*

	Issued share capital		Proportion held directly or indirectly		Interest of holding company				
					Shares		Loans receivable		
	31 Dec 2021 R	31 Dec 2020 R	**31 Dec 2021 %**	31 Dec 2020 %	**31 Dec 2021 R'm**	31 Dec 2020 R'm	**31 Dec 2021 R'm**	31 Dec 2020 R'm	Principal activity
4. Investments in and loans to subsidiaries and joint ventures									
Direct:									
The Independent Institute of Education (Pty) Ltd	**597 404 309**	597 404 309	**100**	100	**598.6**	598.6	**933.2**	842.8	1
Maramedia (Pty) Ltd	**100**	100	**100**	100	**–**	–	**–**	–	4
ADvTECH Resource Holdings (Pty) Ltd	**3 150 023**	3 150 023	**100**	100	**59.8**	59.8	**0.9**	0.9	2
Indirect:									
ADvTECH Kenya Ltd (c)	**119 560 239**	119 560 239	**100**	100					1
ADvTECH Mauritius Ltd (a)	**142 714**	142 714	**100**	100					2
ADvTECH Resourcing (Pty) Ltd	**100**	100	**100**	100			**7.1**	7.1	3
ADvTECH Resourcing Investments (Pty) Ltd	**68 508 341**	68 508 341	**100**	100					2
Africa HR Solutions Ltd (a)	**100**	100	**56**	56					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 Global HR (Pty) Ltd	**120**	120	**52**	52					3
Capsicum Culinary Studio (Pty) Ltd	**1 000**	1 000	**100**	100					4/1
Charterhouse Private Schools (Pty) Ltd	**100**	100	**100**	100					4/1
Future Indefinite Investments 82 (Pty) Ltd	**100**	100	**100**	100					4/2
Innospan Investments (Pty) Ltd	**1 000**	1 000	**100**	100					4
Kapele Appointments (Pty) Ltd	**100**	100	**70**	70					4
Knyber (Botswana) (Pty) Ltd (b)	**370 413**	370 413	**100**	100					1
Latiano 754 (Pty) Ltd	**47 435 741**	47 435 741	**100**	100					2
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					4/1
Maragon Private Schools Titanium (Pty) Ltd	**100**	100	**100**	100					4
Maragon Private Schools Tshwane (Pty) Ltd	**120**	120	**100**	100					4/1
Maravest (Pty) Ltd	**1 000**	1 000	**100**	100		–	**–**	27.0	4/2
Nanospan Investments (Pty) Ltd	**1 000**	1 000	**100**	100					4
Nascifon (Pty) Ltd	**100**	100	**100**	100					4/2
Oxbridge Academy (Pty) Ltd	**100**	100	**95**	51					1
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 (a)	**178 555 085**	125 199 067	**94**	90					2
Shetland Investments (Pty) Ltd	**100**	100	**100**	100					4/2
Star Schools (Pty) Ltd (joint venture)	**100**	100	**50**	50					1
Strategic Connection (Pty) Ltd	**100**	100	**100**	100					4
The Makini School Limited (c)	**74 514 789**	4 970 800	**94**	90					1
The Private Hotel School (Pty) Ltd	**100**	100	**100**	100					1
VirtuallyHR (Pty) Ltd	**120**	120	**51**	51					3
					658.4	658.4	**941.2**	877.8	

1 Independent provider of education.
2 Investment/property 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 R679.4 million (2020: R465.5 million). All companies are incorporated in the Republic of South Africa except as indicated: (a) Mauritius (b) Botswana (c) Kenya.

Refer to the consolidated annual financial statements for information relating to acquisitions of subsidiaries.

The loans are unsecured, interest free and there are no fixed terms of repayment. However, the loans are repayable on demand. The inter-company loans do not carry a significant credit risk as the underlying entities are profitable, are forecasted to remain profitable in future based on budgets and cash flow forecasts and are expected to generate sufficient cash to meet their obligations. The expected credit losses on the loans is considered to be immaterial.

The directors consider that the carrying amounts of the loans receivable approximate their fair value as these are payable on demand.

Notes to the company financial statements

for the year ended 31 December 2021 *(continued)*

	Audited 2021 R'm	Audited 2020 R'm
5. Trade and other receivables		
Other receivables	**4.1**	36.6

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 the loss allowance is based on lifetime 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, the loss allowance is considered to be immaterial.

The directors consider that the carrying amounts of the loans receivable approximate their fair value as these are payable on demand.

6. Stated capital

Authorised

1 000 000 000 shares of no par value (2020: 1 000 000 000 shares of no par value)

	Number of shares 2021 'm	Audited Stated capital 2021 R'm	Number of shares 2020 'm	Audited Stated capital 2020 R'm
Issued				
Balance at 1 January	**551.8**	**1 566.3**	548.8	1 539.1
Shares issued	**2.7**	**35.3**	3.0	27.3
Share issue costs	**–**	**(0.1)**	–	(0.1)
Balance at 31 December	**554.5**	**1 601.5**	551.8	1 566.3

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 2021 R'm	Audited 2020 R'm
7. Trade and other payables		
Trade payables and accruals	**2.1**	2.1

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.

Notes to the company financial statements

for the year ended 31 December 2021 *(continued)*

		Audited 2021 R'm	Audited 2020 R'm
8.	**Financial instruments**		
8.1	**Categories of financial instruments**		
	Financial assets		
	Amortised cost		
	Loans to subsidiaries	**941.2**	877.8
	Trade and other receivables	**4.1**	36.6
	Financial liabilities		
	Amortised cost		
	Trade and other payables	**2.1**	2.1
	Shareholders for dividend and capital distribution	**2.4**	2.3

Financial risk management objectives and policies

The company's principal financial instruments comprise various items such as other receivables, trade payables and loans to subsidiaries 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 company'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 33 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 shareholders 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 and reserves.

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, 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 and loans from subsidiaries. The credit risk on these are assessed as low and would only be considered in default should the circumstances in the underlying entities change adversely. The loss allowance on these is not considered significant as the underlying entities are profitable, are forecasted to remain profitable in future based on budgets and cash flow forecasts and are expected to generate sufficient cash to meet their obligations. The loan receivable from The Independent Institute of Education Proprietary Limited exceeds 5% of total financial assets, refer to note 4 for details of this loan.

Notes to the company financial statements

for the year ended 31 December 2021 *(continued)*

8. Financial instruments *(continued)*

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	12 months or lifetime expected credit losses (ECL)	Gross carrying amount R'm	Loss allowance R'm	Net carrying amount R'm
31 December 2021						
Loans to subsidiaries	4	Performing	12 month ECL	**941.2**	**–**	**941.2**
Trade and other receivables	5	Performing	Lifetime ECL	**4.1**	**–**	**4.1**
31 December 2020						
Loans to subsidiaries	4	Performing	12 month ECL	877.8	–	877.8
Trade and other receivables	5	Performing	Lifetime ECL	36.6	–	36.6

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 as they are payable on demand.

9. Contingent liabilities

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 715.6 million (2020: R2 593.3 million). As at 31 December 2021 the total amount of facilities utilised amounted to R1 790.0 million (2020: R 2 210.0 million) as per notes 26 and 27 of the consolidated annual financial statements.

Notes to the company financial statements

for the year ended 31 December 2021 *(continued)*

	Note	Audited 2021 R'm	Audited 2020 R'm
10. Notes to the statement of cash flows			
10.1 Cash generated from operations			
Profit before taxation		**200.1**	0.1
Adjust for non-cash items – Dividend received		**(200.0)**	–
		0.1	0.1
10.2 Movement in working capital			
Decrease in trade and other receivables and prepayments		**33.0**	7.3
Increase in trade and other payables		**–**	0.3
Decrease in working capital		**33.0**	7.6
10.3 Taxation paid			
Balance at beginning of the year		**0.1**	(0.9)
Current charge	3	**(0.1)**	–
Taxation on equity item		**(0.1)**	(0.4)
Balance at end of the year		**–**	(0.1)
Cash amount paid		**(0.1)**	(1.4)
10.4 Dividends paid			
Balance at beginning of the year		**(1.5)**	(1.5)
Declared during the year		**(215.0)**	–
Balance at end of the year		**1.6**	1.5
Cash amount paid		**(214.9)**	–

11. 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 (2020: R8.0 million) and R2.1 million (2020: R2.0 million) respectively were charged and paid, being an appropriate allocation of costs incurred by the relevant administrative departments.

Refer to note 35 of the consolidated annual financial statements for information regarding the directors' remuneration.

12. Events after the reporting period

Refer to note 39 of the consolidated annual financial statements for information relating to events after the reporting period.

Shareholders' analysis

as at 31 December 2021

	Number of shareholders	% of total shareholders	Number of shares	% of total issued share capital
Range of shareholding				
1 to 10 000	10 979	92.2%	7 020 503	1.3%
10 001 to 100 000	577	4.8%	19 940 450	3.6%
100 001 to 1 000 000	271	2.3%	88 486 270	16.0%
more than 1 000 000	86	0.7%	439 012 768	79.1%
	11 913	**100.0%**	**554 459 991**	**100.0%**

To the best knowledge of the directors and after reasonable enquiry, as at 31 December 2021, the spread of shareholders was as follows:

Shareholder spread				
Non-public	14	0.1%	45 040 535	8.1%
Directors (including prescribed officers and subsidiary directors)#	11	0.1%	32 042 985	5.8%
ADvTECH Share Incentive Schemes (including unvested shares)	3	0.0%	12 997 550	2.3%
Public	11 899	99.9%	509 419 456	91.9%
	11 913	**100.00%**	**554 459 991**	**100.00%**

Mr MM Nkosi has an indirect beneficial interest via shares held by Value Capital Partners Proprietary Limited.

Major shareholders (5% and more of the shares in issue)

	Shares held	
	Number	%
Government Employee Pension Fund	84 379 177	15.2%
Coronation Fund Managers	66 869 768	12.1%
CitiGroup (Custodian)	46 617 894	8.4%
Allan Gray	42 967 531	7.7%

Share information

	2021	2020	2019	2018	2017
Closing price at period end (cents)	**1 758**	950	1 080	1 485	1 750
JSE market price high (cents)	**1 955**	1 115	1 543	1 782	2 075
JSE market price low (cents)	**950**	576	1 000	1 341	1 451
Total number of transactions on JSE	**68 328**	57 008	71 443	63 311	103 675
Total number of shares traded	**189 543 694**	147 436 015	137 759 968	136 787 992	237 816 712
Total value of shares traded (R)	**2 703 771 224**	1 251 731 767	1 701 647 937	2 143 467 835	4 250 477 901
Average price per share (cents)	**1 426**	849	1 235	1 567	1 773
Shares in issue*	**554 459 991**	551 783 426	548 766 976	546 612 919	544 368 530
Percentage volume traded to shares in issue	**34%**	27%	25%	25%	44%
PE ratio	**14.3**	11.6	12.4	20.0	25.3

* *Shares in issue per JSE as at 31 December 2021.*

Shareholders' Diary

	2022
Dividend	
Declaration of dividend by the board	Thursday, 24 March
Announcement of annual results for 2021 on SENS	Monday, 28 March
Last day to trade in order to participate in the dividend	Monday, 11 April
Trading commences ex-dividend	Tuesday, 12 April
Record date	Thursday, 14 April
Share certificates may not be dematerialised and rematerialised between	Tuesday, 12 April and Thursday, 14 April, both days inclusive
Dividend payment date	Tuesday, 19 April
Annual general meeting (AGM)	
Record date to receive notices	Thursday, 14 April
Posting date and no change statement on SENS	Thursday, 28 April
Last date to trade to be eligible to participate and vote at the AGM	Tuesday, 17 May
Record date to be recorded as a shareholder	Friday, 20 May
Proxy forms to be received by 10h00	Tuesday, 24 May
AGM to be held at 10h00	Thursday, 26 May
Results of AGM published on SENS	Thursday, 26 May
Interim results	
Interim results for the six months ended 30 June 2022	Monday, 29 August

Glossary

ARCom	Audit and Risk Committee
APSO	African Professional Staffing Organisations
BAC	British Accreditation Council
B-BBEE	Broad-based Black Economic Empowerment
CAPES	Confederation of Associations in the Private Employment Sector
CAT	Central Academic Teams
CEO	Chief Operating Officer
CIO	Chief Information Officer
CHE	Council on Higher Education
CSI	Corporate Social Investment
DHET	Department of Higher Education and Training
DOL	Department of Labour
DBE	Department of Basic Education
EEC	Employment Equity Committees
ESG	Environmental, social and governance
EBIT	Earnings Before Interest and Tax
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization
GDP	Gross Domestic Product
GCD	Group Commercial Director
GIO	Group Information Officer
GEP	Graduate Empowerment Programme
GSS	Group Shared Services
HEQC	Higher Education Quality Committee
IB	International Baccalaureate
ICT	Information Communication Technology
IEB	Independent Examinations Board
IFRS	International Financial Reporting Standards
IGCSE	International General Certificate of Secondary Education
IIE	The Independent Institute of Education
IIRC	International Integrated Reporting Council
IMF	International Monetary Fund
IPSC	Institute for Personnel Service Consultants
IR	Investor Relations
ISASA	Independent Schools Association of Southern Africa
JSE	Johannesburg Stock Exchange
JSELR	Johannesburg Stock Exchange Listings Requirements
KCSE	Kenyan Certificate of Secondary Education
LOC	Leadership Operating Committee
LTI	Long-term incentive
NEEC	National Employment Equity Committee
NQF	National Qualification Framework
NomCom	Nominations Committee
OHS	Occupational Health and Safety
PDE	Provincial Departments of Educations
PO	Prescribed Officer
PSLE	Primary School Leaving Examination
PYP	Primary Years Programme
QCTO	Quality Council of Trade and Operations
RDI	Respect, Diversity and Inclusion
RemCom	Remuneration Committee
SACE	South African Council for Educators
SADAG	South African Depression and Anxiety Group
SAGEA	South African Graduate Employers Association
SAPHE	South African Private Higher Education
SAQA	South African Qualifications Authority
SDG	Sustainable Development Goals
SETA	Sector Education and Training Authority
SIS	Student Information System
STI	Short-term incentive
SMME	Small, Medium and Micro Enterprise
TSEC	Transformation, Social and Ethics Committee
USAf	Universities of South Africa

Corporate information

Company secretary and registered office

Company secretary: Chantell Crouse
ADvTECH House, Building 7
Inanda Greens Office Park
54 Weirda Road West
Weirda Valley
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2196
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Email: groupsec@advtech.co.za

ADvTECH limited

Incorporated in the Republic of South Africa
Registration number: 1990/001119/06
JSE share code: ADH
ISIN: ZAE000031035

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Investor relations

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Bankers and lenders

Lenders

- ABSA Bank Limited
- Sanlam
- Momentum

Primary transactional bankers

- ABSA Bank Limited

Transfer secretaries

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