ADvTECH GROUP

ADvTECH Limited ("ADvTECH" or "the group")
(Incorporated in the Republic of South Africa)
Registration number: 1990/001119/06
JSE code: ADH | ISIN number: ZAE 0000 31035
Income taxation number: 9550/190/71/5

PRELIMINARY AUDITED RESULTS

for the year ended 31 December 2020

Robust • Resilient • Sustainable – ADvTECH's strategy prevails

▲4% Revenue

SCHOOLS DIVISION

- Good enrolment growth
- Efficient business model delivered good results
- Comprehensive range and flexibility in delivering quality education in a challenging environment

▲15% Revenue

RESOURCING DIVISION

- Swift management action to protect the business in difficult circumstances
- Good performance in the rest of Africa
- Dual focus on permanent and contract placements

▲9% Revenue

UNIVERSITY/ TERTIARY DIVISION - THE IIE IS SA'S LEADING "PRIVATE UNIVERSITY"

- Flexible academic offering and delivery methods meant a seamless transition to online
- Resilient performance
- Well established brands with respected value offerings

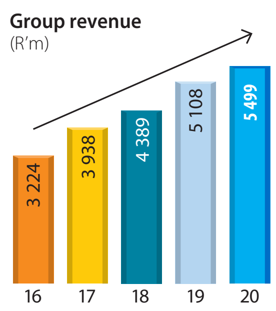
▲8% Revenue

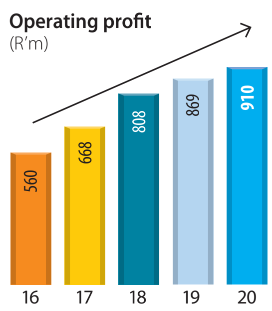
▲5% Operating profit

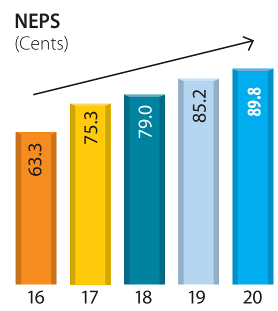
▲5% Normalised earnings per share

▲39% Free operating cash flow before capex

Final dividend per share 20.0 cents







Introduction

Resilient operational and financial performance

The directors are pleased to announce resilient results for the year ended 31 December 2020, continuing the trend of consistent performance in line with our strategy, and the resumption of dividends.

ADvTECH confidently commenced the 2020 financial year with the benefit of the strategic initiatives implemented over the past few years. In addition to good enrolment growth, the group benefitted from restructuring, rationalisation and cost saving activities. We were therefore in a sound position to withstand the COVID-19 impact. Importantly, despite the extraordinary conditions, we maintained the delivery of our academic offering.

Our employees' flexibility and commitment, in the face of the pandemic, together with our investments in technology and processes, sustained our high-quality education and ensured a resilient financial performance. Our central academic team, supported by IT and other internal teams, were able to adapt our offering in near record time. Similarly, our teachers, lecturers and students collaborated and adapted impressively to complete the academic year in line with expected standards of excellence.

Determined to protect the health and wellbeing of all our stakeholders, the group successfully implemented world-class safety protocols at all 157 of our sites across Africa, a significant undertaking executed exceptionally well, given the diverse locations. The board would like to thank ADvTECH's employees and students who displayed commendable resilience and cooperation in achieving these remarkable feats.

In 2015, we invested in a state-of-the-art learning management system (LMS) in our tertiary division. The experience gained within our tertiary division, prior to the COVID-19 lockdown, allowed us to transition some 75 000 students to online teaching and learning within three weeks. This is a standout example of the direct benefits of our combined schools and tertiary academic function and the central academic team. The tertiary division's use and experience of the system was invaluable in swiftly implementing a full online academic offering within the schools division.

ADvTECH navigated the year successfully as a result of being able to move so seamlessly to an online environment, owing to the quality of our programmes. Furthermore, our pastoral support provided a clear differentiation between ourselves and other offerings. From the outset, and in line with our strategy, we were determined to not simply provide lesson plans and content, but rather to develop an all-embracing educational offering that focused on the full range of the needs of our students, parents and educationalists.

Recognising that the pandemic could have a severe economic impact on a number of our parents and fee payers, but equally being mindful of the need to minimise the level of academic disruption and to sustain the viability of the group, we introduced a specific case-by-case financial support programme. An across the board discounting approach would not have been an effective way to provide meaningful relief to those who were in real need. In addition, it would have unduly stressed the business and limited our ability to maintain our standards of academic excellence. Targeted relief was provided to 5 386 families.

Sound financial performance

Sustainability and cash preservation

In the first quarter of the financial year, we achieved good enrolment growth in the schools and tertiary divisions and benefitted from efficiencies previously implemented in the schools division. We were poised to deliver an outstanding result and our resourcing division also delivered a strong performance. However, the nine months from April to December 2020 were characterised by greater volatility following the implementation of lockdown restrictions.

ADvTECH recognised the need for bold yet flexible and responsive decision-making. We consequently established three clear priorities:

1. Prioritising the health and safety of our students, employees and stakeholders;
2. Continuing the academic offering for all our students and minimising the economic impact on our stakeholders; and
3. Ensuring the sustainability of our business through cost control, preserving cash and careful balance sheet management.

Group revenue grew by 8% to R5.5 billion (2019: R5.1 billion) for the year to 31 December 2020, in spite of the withdrawal of some students mainly at pre-primary phase, Makini being unable to recognise revenue for a large part of the year as a result of a government directive, our inability to provide boarding, aftercare and extramural activities, and the loss of revenue in resourcing South Africa.

Operating profit that grew by 5% to R910 million (2019: R869 million) was tempered by an increase in loss allowance and bad debts written off amounting to R264 million (2019: R136 million). The lower net financing costs in the year contributed to normalised earnings for the period increasing by 6% to R486 million (2019: R459 million) while normalised earnings per share increased by 5% to 89.8 cents (2019: 85.2 cents) per share.

Schools enrolments: end February

Enrolments	Feb 2017	Feb 2018	Feb 2019	Feb 2020	**Feb 2021**	% Increase
Schools: South Africa	24 763	25 443	25 448	26 393	**27 334**	4%
Schools: Rest of Africa	1 950	1 965	5 379	5 977	**6 569**	10%
Total	26 713	27 408	30 827	32 370	**33 903**	5%

The tertiary first year enrolment cycle has been unavoidably affected by the delayed release of matric results and therefore the group is not able to provide comparative numbers at this stage. However, target for roll-over students has been achieved.

We have focused on preserving a healthy balance sheet, with net borrowings being well within our covenants. The cash preservation measures included not declaring dividends and curbing non-essential capital and operating costs. These interventions allowed the group to reduce net borrowings by R0.5 billion to R2.1 billion at 31 December 2020 (2019: R2.6 billion) and demonstrates the inherent cash generating ability of our business model.

Collections improved in the second half of the year but still fell marginally short of target. This resulted in bad debts written off increasing to R189 million (2019: R101 million) and necessitating the loss allowance to be increased by R75 million to R376 million (2019: R301 million). This represents 62% coverage of the debtors balance compared to 55% in the prior year.

Cash generated by operating activities increased by 21% to R1.3 billion (2019: R1.1 billion). This enabled the funding of investments and capital expenditure of R308 million, payment of financing costs of R201 million and taxation of R213 million, repayment of lease liabilities of R98 million and the settlement of debt amounting to R484 million. This demonstrates the inherent cash generating ability of our business.

Capital expenditure was focussed on increasing capacity on sites to meet demand, equipment to enhance our delivery of online and hybrid tuition, and on business systems to enable the standardisation of processes across the group to allow for further efficiency improvements.

Operational review

Schools South Africa

Agility in offering sustained quality education through various modes of delivery

We will continue our work to sharpen our brand value propositions and to have a balanced, targeted suite of offerings that cater to consumer market segments. We experienced encouraging growth in all three of our school campuses opened in January 2020: Pinnacle Linden (mid-fee); Pinnacle Waterfall (mid-fee); and Trinityhouse Glenvista (premium-fee). Maragon Ruimsig was repositioned as Crawford International. Two underperforming premium-fee school campuses, Trinityhouse North-Riding and Trinityhouse Palm Lakes, were closed, affecting approximately 200 students. Where possible, these students and employees were absorbed into our nearby schools. The Abbotts College fee reduction pilot programme in Centurion continued to work well and has been rolled out to other Abbotts Colleges in 2021.

Revenue increased by 5% to R2.1 billion (2019: R2.0 billion) and operating profit increased by 6% to R379 million (2019: R358 million) with operating margins improving from 17.7% to 17.9%.

There were some student withdrawals mainly due to financial reasons, with the greatest number of withdrawals and temporary withdrawals at Pre-Primary level where more supervision is required for online or hybrid learning. However, as a result of our ability to continue delivering a high-quality offering, in addition to our superior support and delivery methods, we also saw an increase in enrolments at some of our institutions – a testament to the recognition of ADvTECH's excellence in education and the value of word-of-mouth endorsement on the part of satisfied parents and guardians.

In line with our portfolio strategy to develop diverse brands that meet a variety of consumer needs, we launched Evolve Online School in August 2020. This MIT-developed programme offers a world class home-schooling experience and gives parents an alternative option for accessing quality education for their children. The online school opened in January 2021 and already has 447 enrolments.

Evolve Online School is unique in that it provides more than a 'paper-behind-glass' learning experience. Based on current research, students are placed within subjects according to their abilities, letting them progress faster where they are gifted and work at a more deliberate pace to master content they find more challenging. The result is that each student's learning experience is tailored to their specific needs.

Our focus on academic excellence regardless of mode of delivery was particularly evident in 2020. In a year of significant disruption, our students continued to achieve excellent results. Our IEB matric candidates achieved an average of 2.2 distinctions per candidate with a 99.7% pass and 95% bachelor pass rate.

Rest of Africa schools

Continuing to build scale

The pandemic affected our rest of Africa operations to a greater extent than our South African schools. The primary source of the impact was the regulated closure of Makini Schools. The decrease in revenue of 4% to R197 million (2019: R204 million) was due to Makini being unable to invoice fees for term two and most of term three, following a directive issued by the Kenyan government to defer the school year.

The Kenyan government abandoned the entire academic year (for the national Kenyan curriculum schools) and stopped all schools from having students on site until 2021. Consequently, we moved to online learning. Owing to Crawford International School offering the Cambridge International Curriculum, it successfully completed the academic year in July 2020. The inaugural class delivered an exceptional performance in its first International General Certificate of Secondary Education (IGCSE) exams administered by the University of Cambridge, obtaining an average of 4.2 As per student, with three students receiving full house As. Crawford International School, which is now in its second year of operation, reported a significantly reduced operating loss as it progressed through the J-curve.

To mitigate the impact of the government directive, Makini schools responded by designing an alternative e-learning curriculum to support students, while also managing to keep costs as low as possible. It further launched, in parallel with the national Kenyan curriculum, the option of signing up for the Cambridge International Curriculum from September 2020. This yielded positive results and the programme currently has 256 enrolments.

Gaborone International School continued to perform well and proceeded with online tuition during Botswana's three separate periods of lockdown.

We continue to build scale as seen by a 10% increase in enrolments in 2021 and anticipate a much improved financial performance in 2021, underscoring the viability of our investments on the continent.

Tertiary division/ "Private University"

Resilient performance due to the quality of established academic offering and delivery methods

ADvTECH's tertiary division delivered a resilient performance despite the challenges presented by lockdown. The division sustained its performance with strong enrolments at the beginning of 2020, achieving a 13% growth in student numbers.

Revenue increased by 9% to R2.3 billion (2019: R2.1 billion) and operating profit, despite having been impacted by a higher level of loss allowances, also increased by 9% to R539 million (2019: R496 million). The operating margin remained unchanged at 23%.

Our tertiary brands were agile in their delivery of education during a challenging year. In South Africa, only two thirds of students were allowed to return to campus after lockdown. The balance were required to access online teaching. The division negotiated reduced-fee data bundles for students and reassessed the delivery model across all our campuses, introducing more online and blended learning options.

At Vega, we moved current short courses to an online mode of delivery while at Oxbridge Academy, greater student support was implemented to allow continued access to education. In addition, a student relations office was established and the traditional 'print-and-post' delivery mode was supplemented by an electronic portal allowing students to download their study material. This approach was well received by students and has enabled the brand to broaden its reach, already offering courses in Ghana, Zambia and Kenya.

The IIE brands further initiated 'boot camp' programmes as additional academic support to students to assist with their studies and review of their work. As a result, we have achieved high levels of engagement with students motivated to continue learning and performing despite challenging circumstances.

Our dedicated online platforms continued to grow with distance online education revenue increasing by R18 million, reaffirming our capacity to deliver regardless of mode of delivery.

MindSharp, a dynamic digital learning platform, was launched to upskill individuals and corporate teams. The Private Hotel School has been incorporated into the IIE and rebranded as the IIE School of Hospitality and Service Management.

The University of Africa, a small distance learning institution in Zambia, was severely impacted by the effects of COVID-19 on the Zambian economy, which was already in recession before the pandemic. The cash injection that was required to sustain the business was not considered feasible. Therefore, to afford the institution the best opportunity to remain sustainable, a decision was made to dispose of our 51% holding. This allowed the business to merge with an education provider with a similar offering.

Resourcing division

The strategy to expand into the rest of Africa allowed the resourcing division to remain profitable despite the extremely challenging environment in South Africa. During the hard lockdown in April and May, hiring activity came to a complete standstill. We saw some recovery from June onwards but hiring sentiment remained low. In contrast, operations in the rest of Africa delivered growth, increasing revenue by 39% to R665 million (2019: R478 million) and operating profit by 42% to R21 million (2019: R15 million).

In South Africa, revenue decreased by 30% to R183 million (2019: R263 million). To mitigate the impact of the lower revenue and minimise the operating loss, strategies to reduce costs were implemented that, unfortunately, necessitated salary cuts, temporary layoffs and retrenchments within the division. The cuts were implemented across the board on a graduated basis to lessen the impact on the lower earning level employees. Rental discounts and deferments were also obtained from landlords, savings achieved on certain large supplier contracts and marketing activities were halted.

The dual focus on permanent and contracting placements contributed to the sustainability of the business, both locally and in the rest of Africa.

Leadership changes

Nwabisa Piki, the group company secretary, resigned with effect from 31 December 2020. Chantell Crouse has been appointed as the group company secretary with effect from 1 January 2021.

The following changes to the board occurred:

- We welcome Clive Thomson, who was appointed to the board with effect from 12 March 2021.
- Dr Jane Hofmeyr and Jens Zimmerman will both retire by rotation at the Annual General Meeting (AGM) on 27 May 2021 and will not stand for re-election.

Declaration of final dividend no. 21

Having reviewed the manner in which the business coped thus far with the circumstances created by the pandemic together with the strong cash generation, sound balance sheet and satisfactory enrolments for 2021 the board has decided to resume the payment of dividends.

The board is pleased to announce the declaration of a final gross dividend of 20.0 cents (2019: no dividend) per ordinary share in respect of the year ended 31 December 2020. This brings the full year dividend to 20.0 cents (2019: 15.0 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 16.0 cents per share, while it is 20.0 cents per share to those shareholders who are exempt from DT.

There are 551.8 million ordinary shares in issue; the total dividend amount payable is R110.4 million. The salient dates applicable to the dividend referred to above are as follows:

	2021
Declaration of dividend	**Thursday, 18 March**
Last day to trade in order to participate in the dividend	**Tuesday, 13 April**
Trading commences ex-dividend	**Wednesday, 14 April**
Record date	**Friday, 16 April**
Payment date	**Monday, 19 April**
AGM	**Thursday, 27 May**

Share certificates may not be dematerialised and rematerialised between Wednesday, 14 April 2021, and Friday, 16 April 2021, both days inclusive.

Prospects

We expect the socio- and macro-economic environment to remain subdued in South Africa and a continued level of uncertainty owing to the impact of COVID-19. It is therefore critical that our customer service levels and marketing activity for each brand and campus are aligned and optimised.

Given the financial pressures on consumers and a contraction in the economy, we decided not to increase school fees for 2021 and only increase tertiary fees marginally. As a result, it is vital that we continue to work on cost savings and productivity gains to combat any inflationary increases that may influence the cost base.

We remain confident that we will be able to manage an uncertain future given:

- The ongoing demand for quality education in South Africa and the rest of Africa;
- Our ability to rapidly implement flexible delivery models to maintain our promise of academic excellence;
- Our continued focus on restructuring and rationalisation to drive operational efficiencies; and
- Our ability to consistently deliver on our customer value proposition across all brands.

Our commitment to excellence is fundamental to the growth of our business.

On behalf of the board

Chris Boulle
Chairman

Roy Douglas
Chief executive officer

Didier Oesch
Group commercial director

23 March 2021

Summarised consolidated statement of profit or loss

for the year ended 31 December 2020

R'm	Notes	Percentage increase/ (decrease)	Audited 31 December 2020	Audited 31 December 2019
Revenue	2	8%	**5 499.2**	5 108.0
Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA)		7%	**1 255.9**	1 173.6
Operating profit before interest and non-trading items		5%	**909.5**	869.1
Non-trading items	3		**(30.2)**	13.5
Net finance costs			**(204.8)**	(221.8)
Interest earned			**2.3**	5.2
Finance costs incurred			**(146.5)**	(167.4)
Finance costs on lease liabilities			**(60.6)**	(59.6)
Profit before taxation		2%	**674.5**	660.8
Taxation			**(209.0)**	(192.5)
Profit for the year		(1%)	**465.5**	468.3
Profit for the year attributable to:				
Owners of the parent		(2%)	**461.1**	469.4
Non-controlling interests			**4.4**	(1.1)
			465.5	468.3
Earnings per share (cents)				
Basic		(2%)	**85.1**	87.1
Diluted		(2%)	**85.1**	87.1

Headline and normalised earnings

for the year ended 31 December 2020

R'm	Percentage increase	Audited 31 December 2020	Audited 31 December 2019
Determination of headline earnings			
Profit for the year attributable to owners of the parent		**461.1**	469.4
Items excluded from headline earnings per share		**33.0**	(5.7)
(Profit)/loss on disposal of property, plant and equipment		**(1.4)**	0.5
Loss on disposal of subsidiaries		**6.7**	–
Impairment of property, plant and equipment		**11.1**	–
Impairment of intangible assets		**24.9**	–
Gain on bargain purchase of acquisition		**–**	(6.1)
Taxation effects of adjustments		**(8.3)**	(0.1)
Headline earnings	7%	**494.1**	463.7
Headline earnings per share (cents)			
Basic	6%	**91.2**	86.0
Diluted	6%	**91.2**	86.0
Determination of normalised earnings			
Headline earnings		**494.1**	463.7
Items excluded from normalised earnings per share		**(7.8)**	(4.5)
Corporate action costs		**0.5**	3.9
Gain on settlement of contingent consideration		**(13.0)**	–
Write-off of deferred taxation assets		**4.8**	–
Foreign currency gain arising on corporate action		**–**	(6.2)
Insurance proceeds (net of costs) on previously reported fraud event		**–**	(5.1)
Taxation effects of adjustments		**(0.1)**	2.9
Normalised earnings	6%	**486.3**	459.2
Normalised earnings per share (cents)			
Basic	5%	**89.8**	85.2
Diluted	5%	**89.8**	85.2

Normalised earnings is a non-IFRS measure and excludes the impact of certain non-operational income and expense items (such as legal and other corporate actions costs, the gain on settlement of contingent consideration and the write-off of deferred taxation assets in certain subsidiaries) from reported headline earnings. The income and expense items adjusted for in normalised earnings are once-off in nature and provide shareholders with a measure of underlying performance that is comparable from year to year.

Summarised consolidated statement of other comprehensive income

for the year ended 31 December 2020

R'm	Audited 31 December 2020	Audited 31 December 2019
Profit for the year	**465.5**	468.3
Other comprehensive income, net of income taxation		
Items that may be reclassified subsequently to profit or loss		
Exchange loss on translating foreign operations	**(15.1)**	(18.5)
Total comprehensive income for the year	**450.4**	449.8
Total comprehensive income for the year attributable to:		
Owners of the parent	**445.8**	451.1
Non-controlling interests	**4.6**	(1.3)
	450.4	449.8

Summarised consolidated statement of financial position

as at 31 December 2020

R'm	Note	Audited 31 December 2020	Audited 31 December 2019
Assets			
Non-current assets		**7 080.8**	6 973.3
Property, plant and equipment		**4 854.9**	4 803.1
Proprietary technology systems		**106.5**	80.9
Right-of-use assets		**442.9**	384.2
Goodwill		**1 452.4**	1 459.9
Intangible assets		**162.2**	197.1
Deferred taxation assets		**53.9**	40.5
Investment in joint arrangement		**8.0**	7.6
Current assets		**511.1**	602.9
Trade and other receivables	4	**270.3**	326.2
Taxation		**7.0**	39.0
Other current assets		**52.1**	67.2
Bank balances and cash		**181.7**	170.5
Non-current assets held for sale		**48.8**	67.8
Total assets		**7 640.7**	7 644.0
Equity and liabilities			
Equity		**3 867.8**	3 420.3
Non-current liabilities		**1 830.0**	2 414.5
Long-term bank loans		**1 200.0**	1 800.0
Deferred taxation liabilities		**152.6**	170.9
Lease liabilities		**427.3**	369.2
Acquisition liabilities		**50.1**	74.4
Current liabilities		**1 942.9**	1 809.2
Current portion of long-term bank loan		**600.0**	–
Short-term bank loans		**441.2**	880.1
Current portion of lease liabilities		**137.7**	116.3
Current portion of acquisition liabilities		**3.8**	–
Trade and other payables		**449.4**	438.8
Fees received in advance and deposits		**310.8**	328.8
Bank overdraft		**–**	45.2
Total liabilities		**3 772.9**	4 223.7
Total equity and liabilities		**7 640.7**	7 644.0

Summarised consolidated segmental report

for the year ended 31 December 2020

R'm	Percentage increase/ (decrease)	Audited 31 December 2020	Audited 31 December 2019
Revenue	8%	**5 499.2**	5 108.0
Schools	4%	**2 311.2**	2 226.4
– South Africa	5%	**2 114.3**	2 022.2
– Rest of Africa	(4%)	**196.9**	204.2
Tertiary	9%	**2 343.6**	2 145.3
Resourcing	15%	**848.2**	740.7
– South Africa	(30%)	**183.0**	262.6
– Rest of Africa	39%	**665.2**	478.1
Intra group revenue		**(3.8)**	(4.4)
Operating profit before interest and non-trading items	5%	**909.5**	869.1
Schools	7%	**368.3**	344.3
– South Africa	6%	**378.6**	357.5
– Rest of Africa		**(10.3)**	(13.2)
Tertiary	9%	**538.5**	495.5
Resourcing	(91%)	**2.7**	29.3
– South Africa		**(18.7)**	14.2
– Rest of Africa	42%	**21.4**	15.1
Property, plant and equipment, proprietary technology systems, right-of-use assets, and non-current assets held for sale	2%	**5 453.1**	5 336.0
Schools	1%	**3 798.4**	3 771.6
– South Africa	1%	**3 387.2**	3 345.4
– Rest of Africa	(4%)	**411.2**	426.2
Tertiary	6%	**1 633.8**	1 545.9
Resourcing	13%	**20.9**	18.5
– South Africa	29%	**17.7**	13.7
– Rest of Africa	(33%)	**3.2**	4.8

The resourcing division has been split into two categories of disclosure in line with the categories utilised by the chief operating decision maker in order to enhance disclosure.

Summarised consolidated statement of changes in equity

for the year ended 31 December 2020

R'm	Audited 31 December 2020	Audited 31 December 2019
Balance at beginning of the year before restatement	**3 420.3**	3 171.9
Opening balance adjustments (IFRS 16)	**–**	(48.2)
Restated balance at beginning of the year	**3 420.3**	3 123.7
Total comprehensive income for the year	**450.4**	449.8
Dividends declared to shareholders	**(3.8)**	(170.9)
Share-based payment expense	**1.8**	2.7
Share award expense under the management share incentive scheme (MSI)	**17.1**	13.6
Taxation effect of shares awarded under the management share incentive scheme (MSI)	**(0.4)**	(1.0)
Share issue costs	**–**	(0.1)
Share options exercised	**–**	2.5
Non-controlling interest on disposal of subsidiaries	**3.4**	–
Acquisition of additional shares in subsidiaries	**(21.0)**	–
Balance at end of the year	**3 867.8**	3 420.3

Summarised consolidated statement of cash flows

for the year ended 31 December 2020

R'm	Note	Percentage increase	**Audited 31 December 2020**	Audited 31 December 2019
Cash flows from operating activities				
Cash generated from operations	5	6%	**1 264.5**	1 192.1
Movement in working capital			**48.0**	(108.5)
Cash generated by operating activities		21%	**1 312.5**	1 083.6
Net finance costs paid (inclusive of borrowing costs capitalised to assets and finance costs on lease liabilities)			**(201.1)**	(234.3)
Taxation paid			**(212.5)**	(223.8)
Dividends paid			**(3.8)**	(170.7)
Net cash inflow from operating activities			**895.1**	454.8
Cash flows from investing activities				
Additions to property, plant and equipment			**(267.0)**	(660.2)
Additions to proprietary technology systems			**(36.5)**	(20.5)
Business combinations cash flows			**–**	(320.0)
Proceeds on disposal of property, plant and equipment			**29.4**	2.1
Proceeds on disposal of subsidiaries			**0.3**	–
Net cash outflow from investing activities			**(273.8)**	(998.6)
Cash flows from financing activities				
Increase in non-current bank loans			**–**	300.0
Settlement of current bank loans			**(848.9)**	(595.7)
Drawdowns of current bank loans			**410.0**	880.1
Repayment of lease liabilities			**(97.9)**	(96.9)
Cash received on exercise of share options			**–**	2.4
Acquisition of additional shares in subsidiaries			**(21.0)**	–
Settlement of contingent consideration			**(9.1)**	–
Net cash (outflow)/inflow from financing activities			**(566.9)**	489.9
Net increase/(decrease) in cash and cash equivalents			**54.4**	(53.9)
Cash and cash equivalents (net of bank overdraft) at beginning of the year			**125.3**	180.5
Net foreign exchange differences on cash and cash equivalents			**2.0**	(1.3)
Cash and cash equivalents (net of bank overdraft) at end of the year			**181.7**	125.3

Free operating cash flow before capex per share

for the year ended 31 December 2020

R'm	Percentage increase	**Audited 31 December 2020**	Audited 31 December 2019
Profit for the year		**465.5**	468.3
Adjusted for non-cash IFRS and other adjustments (after taxation)		**10.5**	7.5
Net operating profit after taxation – adjusted for non-cash IFRS and other adjustments		**476.0**	475.8
Depreciation, amortisation and impairment		**382.4**	304.5
Repayment of lease liabilities		**(97.9)**	(96.9)
Taxation adjustment on IFRS 16 leases		**(8.7)**	(1.6)
Other non-cash flow items (after taxation)		**(1.0)**	0.4
Operating cash flow after taxation	10%	**750.8**	682.2
Movement in working capital		**48.0**	(108.5)
Free operating cash flow before capex	39%	**798.8**	573.7
Free operating cash flow before capex per share (cents)	39%	**147.5**	106.4

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 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.

Supplementary information

for the year ended 31 December 2020

R'm	**Audited 31 December 2020**	Audited 31 December 2019
Capital expenditure (inclusive of capitalised borrowing costs)	**308.4**	704.6
Capital commitments	**869.2**	1 126.8
Authorised by directors and contracted for	**293.0**	363.8
Authorised by directors and not yet contracted for	**576.2**	763.0
Anticipated timing of spend	**869.2**	1 126.8
0 – 1 year	**282.4**	276.5
1 – 2 years	**139.7**	91.0
3 – 5 years	**152.4**	428.7
more than 5 years	**294.7**	330.6

Notes to the summarised consolidated financial statements

for the year ended 31 December 2020

1.1 Statement of compliance

The summarised consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, and the requirements of the Companies Act of South Africa applicable to summarised financial statements. The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, and to also, as a minimum, contain the information required by IAS 34, Interim Financial Reporting. The accounting policies and methods of computations applied in the preparation of the consolidated financial statements, from which the summarised consolidated financial statements were derived, are in terms of IFRS and are consistent with the accounting policies applied in the preparation of the previous consolidated financial statements.

The preparation of the group's summarised consolidated financial statements, and the full consolidated financial statements for the year ended 31 December 2020 was supervised by Didier Oesch CA(SA), the group's commercial director and chief financial officer.

Independent auditor's opinion

These summarised consolidated financial statements for the year ended 31 December 2020 have been audited by Deloitte & Touche, who expressed an unmodified opinion thereon (the auditor also expressed an unmodified opinion on the consolidated financial statements from which these summarised consolidated financial statements were derived). A copy of the auditor's report on the summarised consolidated financial statements and of the auditor's report on the consolidated financial statements are available for inspection at the company's registered office, together with the financial statements identified in the respective auditor's reports. The auditor's report does not necessarily cover all the information contained in this announcement. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's work, they should obtain a copy of their report together with the accompanying financial information from the company's registered office.

Any reference to future financial performance included in this announcement, has not been audited or reported on by the company's auditors.

1.2 Events after the reporting period

The COVID-19 pandemic is ongoing and has resulted in the delay of the academic year. The commencement of face to face teaching at schools was delayed to 1 February 2021 as a result of COVID-19 government restrictions. The group's schools were able to continue teaching online up to that date and have since commenced with face to face teaching. The tertiary institutions have commenced tuition during March 2021 using a staggered approach. The group is able to transition between face to face and online learning seamlessly and is not expected to be adversely affected from any future lockdowns as a result of the pandemic.

The Minister of finance announced an intention to reduce the corporate tax rate to 27% as well as the review of various tax incentives and allowances. This is expected to be effective for financial years beginning after April 2022 and will affect the group from the 2023 financial year. This is considered a non-adjusting post balance sheet event and the group will monitor the legislative changes in this regard.

The directors are not aware of any other matter or circumstance between the date of the statement of financial position and the date of this report that materially affects the results of the group for the year ended 31 December 2020 or the financial position at that date.

1.3 Financial Instruments

The directors consider that the carrying amount of the financial assets and financial liabilities recognised in the summarised consolidated financial statements approximate their fair values.

All of the group's financial instruments are carried at amortised cost and are therefore not classified in terms of the fair value hierarchy.

R'm	**Audited 31 December 2020**	Audited 31 December 2019
2. 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 summarised consolidated segmental report):		
Education services	**4 654.8**	4 371.7
– Tuition – Schools	**2 406.8**	2 266.2
– Tuition – Tertiary	**2 360.9**	2 148.5
– Bursaries and discounts	**(223.1)**	(197.6)
Net tuition fees	**4 544.6**	4 217.1
Boarding fees	**18.8**	33.3
Enrolment and application fees	**57.8**	57.1
Extramural activities and aftercare	**30.1**	57.8
Education material and uniforms	**3.5**	6.4
Placement fees	**848.2**	740.7
Intra group revenue	**(3.8)**	(4.4)
	5 499.2	5 108.0
3. Non-trading items		
Corporate action costs	**(0.5)**	(3.9)
Impairment of property, plant and equipment	**(11.1)**	–
Impairment of intangible assets	**(24.9)**	–
Loss on disposal of subsidiaries	**(6.7)**	–
Gain on settlement of contingent consideration	**13.0**	–
Foreign currency gain arising on corporate action	**–**	6.2
Gain on bargain purchase of acquisition	**–**	6.1
Insurance proceeds (net of costs) on previously reported fraud event	**–**	5.1
	(30.2)	13.5

Corporate action costs relate to legal and consulting costs incurred in business combinations.

Trinityhouse Palm Lakes and Trinityhouse North-Riding were closed at 31 December 2020 and as a result land and buildings were impaired by R11.1 million in anticipation of its disposal in the future.

Intangible assets with a carrying value of R24.9 million relating to the brand value of Maragon (in the schools division) was impaired. The reason for the impairment was the strategic re-positioning and re-branding of these schools which is currently in progress.

Loss on sale of subsidiaries relates to the disposal of Ubiquity Open Academy Holdings Proprietary Limited and its subsidiaries, which is disclosed in further detail in note 6.2.

The gain on settlement of contingent consideration relates to a reduction that was negotiated on the acquisition consideration for Makini Schools Limited.

In the prior year, the acquisition agreement for IIE MSA contained a settlement of an Australian Dollar denominated loan. Due to a delay between the acquisition effective date and the settlement date, a foreign exchange gain of R6.2 million was realised.

During the prior year, the net asset value of the assets and liabilities acquired in terms of the IIE MSA acquisition exceeded the consideration paid. This resulted in a gain on bargain purchase of R6.1 million.

During the prior year, the insurance claim relating to the previously reported fraud event was finalised. Insurance proceeds (net of costs) of R5.1 million was received in settlement of the cash loss resulting from this event.

4. Trade and other receivables

R'm	Percentage increase	Audited 31 December 2020	Audited 31 December 2019
Trade receivables		**609.2**	547.7
Loss allowance		**(375.7)**	(301.2)
		233.5	246.5
Other receivables		**36.8**	79.7
Trade and other receivables		**270.3**	326.2
Profit or loss impact			
Credit losses*	94%	**263.6**	135.8

** Includes the profit or loss impact of bad debts written-off and the movement in the loss allowance.*

5. Note to the summarised statement of cash flows

R'm	Audited 31 December 2020	Audited 31 December 2019
Reconciliation of profit before taxation to cash generated from operations		
Profit before taxation	**674.5**	660.8
Adjusted for non-cash IFRS and other adjustments (before taxation)	**10.5**	10.6
	685.0	671.4
Adjustments	**579.5**	520.7
Depreciation, amortisation and impairment	**382.4**	304.5
Net finance costs	**204.8**	221.8
Gain on settlement of contingent consideration	**(13.0)**	–
Gain on bargain purchase of acquisition	**–**	(6.1)
Loss on disposal of subsidiaries	**6.7**	–
(Profit)/loss on disposal of property, plant and equipment	**(1.4)**	0.5
Cash generated from operations	**1 264.5**	1 192.1

6. Business combinations/disposals

6.1 Schole Mauritius Limited

A further 13.66% of Schole Mauritius Limited was acquired on 1 April 2020 for a cash consideration of R15.7 million. The total holding is 90.18% of the share capital.

6.2 University of Africa

The shareholding in Ubiquity Open Academy Holdings Proprietary Limited and its subsidiaries, which includes the University of Africa in Zambia, was disposed of as at 1 May 2020 for a consideration of R0.3 million.

R'm	Audited 31 December 2020
Non-current assets disposed	
Non-current assets	**(3.6)**
Goodwill	**(4.3)**
Current assets disposed	
Current assets	**(3.2)**
Cash and cash equivalents	**0.5**
Current liabilities disposed	
Current liabilities	**0.8**
Current liabilities acquired	
Non-controlling interest	**3.4**
Loss on disposal	**6.7**
	0.3

6.3 The Private Hotel School Proprietary Limited

A further 20% of The Private Hotel School Proprietary Limited was acquired on 1 November 2020 for a cash consideration of R2.0 million. The total holding is 100% of the share capital.

6.4 Africa HR Limited

A further 5% of Africa HR Limited was acquired on 1 November 2020 for a cash consideration of R3.3 million. The total holding is 56% of the share capital.

7. Share information

	Percentage increase	Audited 31 December 2020	Audited 31 December 2019
Number of shares in issue (million)		**551.8**	548.8
Number of shares in issue net of treasury shares (million)		**544.4**	541.4
Weighted average number of shares for purposes of basic earnings per share (million)		**541.6**	539.0
Weighted average number of shares for purposes of diluted earnings per share (million)		**541.6**	539.0
Net asset value per share including treasury shares (cents)	12%	**700.9**	623.2
Net asset value per share net of treasury shares (cents)	12%	**710.5**	631.8
Free operating cash flow before capex per share (cents)	39%	**147.5**	106.4
Gross dividends per share (cents)	33%	**20.0**	15.0

SCHOOLS DIVISION

TERTIARY DIVISION

RESOURCING DIVISION