



Interim Results

for the six months ended 30 June 2014

9%	▲	Revenue
17%	▲	Operating profit
14%	▲	Headline earnings per share
11.0 cents	▲	Interim dividend per share

Condensed consolidated statement of comprehensive income

for the six months ended 30 June 2014

R'm	Percentage increase/(decrease) Note	Unaudited 6 months to 30 June 2014	Unaudited 6 months to 30 June 2013	Audited 12 months to 31 December 2013
Revenue	9%	959.2	881.7	1 766.3
Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA)	17%	158.7	135.8	291.6
Operating profit before interest	17%	117.4	100.6	221.7
Net interest received		0.3	3.6	3.0
Interest received		2.8	4.9	6.1
Finance costs		(2.5)	(1.3)	(3.1)
Profit before taxation	13%	117.7	104.2	224.7
Taxation		(36.6)	(32.6)	(69.0)
Total comprehensive income for the period	13%	81.1	71.6	155.7
Earnings per share (cents)				
Basic	14%	20.1	17.7	38.5
Diluted	13%	20.0	17.7	38.5
Headline earnings	2	81.2	71.5	156.0
Headline earnings per share (cents)				
Basic	14%	20.1	17.7	38.6
Diluted	13%	20.0	17.7	38.6
Number of shares in issue (million)		421.3	421.3	421.3
Number of shares in issue net of treasury shares (million)		404.1	404.0	404.0
Weighted average number of shares for purposes of basic earnings per share (million)		404.1	404.0	404.0
Weighted average number of shares for purposes of diluted earnings per share (million)		406.2	404.6	404.3
Net asset value per share including treasury shares (cents)	8%	207.5	192.0	202.5
Net asset value per share net of treasury shares (cents)	8%	216.3	200.2	211.1
Free operating cash flow before capex per share (cents)	(7%)	66.0	70.7	73.4
Gross dividends per share (cents)	5%	11.0	10.5	25.5

Condensed consolidated statement of financial position

as at 30 June 2014

R'm	Unaudited 30 June 2014	Unaudited 30 June 2013	Audited 31 December 2013
Assets			
Non-current assets	1 480.8	1 207.7	1 397.6
Property, plant and equipment	1 241.6	976.7	1 198.6
Proprietary technology systems	51.3	46.9	44.0
Goodwill	99.9	98.2	98.2
Intangible assets	25.8	29.1	27.0
Deferred taxation assets	50.2	56.8	17.8
Investment	12.0	–	12.0
Current assets	307.9	265.3	235.1
Trade and other receivables	184.9	158.0	111.5
Other current assets	36.0	21.4	26.0
Bank balances and cash	87.0	85.9	97.6
Total assets	1 788.7	1 473.0	1 632.7
Equity and liabilities			
Equity	874.2	809.0	853.0
Current liabilities	914.5	664.0	779.7
Revolving credit loan	120.0	–	300.0
Trade and other payables	245.0	234.0	281.4
Provision	0.4	3.3	1.8
Taxation	34.3	34.5	3.1
Fees received in advance and deposits	459.4	392.2	193.4
Bank overdraft	55.4	–	–
Total equity and liabilities	1 788.7	1 473.0	1 632.7

Supplementary information

for the six months ended 30 June 2014

R'm	Unaudited 6 months to 30 June 2014	Unaudited 6 months to 30 June 2013	Audited 12 months to 31 December 2013
Capital expenditure – current period	91.0	79.0	334.5
Capital commitments	1 171.0	1 247.1	1 176.2
Authorised by directors and contracted for	100.7	234.5	186.4
Authorised by directors and not yet contracted for	1 070.3	1 012.6	989.8
Anticipated timing of spend	1 171.0	1 247.1	1 176.2
0 – 2 years	452.0	399.1	357.9
3 – 5 years	278.4	333.0	306.6
more than 5 years	440.6	515.0	511.7
Operating lease commitments in cash – future years	330.6	331.4	301.3

Condensed consolidated statement of changes in equity

for the six months ended 30 June 2014

R'm	Unaudited 6 months to 30 June 2014	Unaudited 6 months to 30 June 2013	Audited 12 months to 31 December 2013
Balance at beginning of the period	853.0	793.1	793.1
Total comprehensive income for the period	81.1	71.6	155.7
Dividends declared to shareholders	(61.0)	(56.9)	(99.6)
Share-based payment expense and awards	1.1	1.2	3.0
Share options exercised	–	–	0.8
Balance at end of the period	874.2	809.0	853.0

Directors: JC Livingstone* (Acting Chairman), FR Thompson (CEO), LW Maasdorp (CEO designate), JDR Oesch (Financial), CH Boule*, BM Gourley*, JD Jansen*, SC Masie*, M Nyati*, SA Zinn* *Non-executive
Group Company Secretary: SK Saunders.
Registered Office: ADvTECH House, Inanda Greens, 54 Wierda Road West, Wierda Valley, Sandton 2196.
Transfer Secretaries: Link Market Services SA (Pty) Ltd, Rennie House, 19 Ameshoff Street, Braamfontein 2017.
Sponsor: Bridge Capital Advisors (Pty) Ltd, 27 Ficker Road, Illovo 2196.

Condensed consolidated segmental report

for the six months ended 30 June 2014

R'm	Percentage increase/(decrease)	Unaudited 6 months to 30 June 2014	Unaudited 6 months to 30 June 2013	Audited 12 months to 31 December 2013
Revenue	9%	959.2	881.7	1 766.3
Schools	11%	452.2	406.6	818.6
Tertiary	10%	411.9	373.7	750.5
Resourcing	(6%)	97.2	102.9	200.0
Intra Group revenue		(2.1)	(1.5)	(2.8)
Operating profit before interest	17%	117.4	100.6	221.7
Schools	1%	70.2	69.8	157.0
Tertiary	97%	42.3	21.5	48.0
Resourcing	(38%)	6.2	10.0	18.1
Litigation		(1.3)	(0.7)	(1.4)
Property, plant and equipment and proprietary technology systems	26%	1 292.9	1 023.6	1 242.6
Schools	31%	988.6	754.8	940.0
Tertiary	13%	300.4	265.7	299.7
Resourcing	26%	3.9	3.1	2.9

Condensed consolidated statement of cash flows

for the six months ended 30 June 2014

R'm	Note	Percentage increase/(decrease)	Unaudited 6 months to 30 June 2014	Unaudited 6 months to 30 June 2013	Audited 12 months to 31 December 2013
Cash generated from operations	3	17%	160.4	137.4	295.9
Movement in working capital			144.1	178.7	67.2
Cash generated by operating activities	(4%)		304.5	316.1	363.1
Net interest received			0.3	3.6	3.0
Taxation paid			(37.8)	(38.2)	(66.9)
Dividends paid			(60.9)	(56.8)	(99.4)
Net cash inflow from operating activities			206.1	224.7	199.8
Net cash outflow from investing activities			(92.1)	(76.6)	(340.9)
Net cash (outflow)/inflow from financing activities			(180.0)	(120.0)	180.9
Net (decrease)/increase in cash and cash equivalents			(66.0)	28.1	39.8
Cash and cash equivalents at beginning of the period			97.6	57.8	57.8
Cash and cash equivalents at end of the period			31.6	85.9	97.6

Free operating cash flow before capex per share

for the six months ended 30 June 2014

R'm	Percentage increase/(decrease)	Unaudited 6 months to 30 June 2014	Unaudited 6 months to 30 June 2013	Audited 12 months to 31 December 2013
Total comprehensive income for the period		81.1	71.6	155.7
Adjusted for non-cash IFRS and lease adjustments (after taxation)		0.3	0.3	3.6
Net operating profit after taxation – adjusted for non-cash IFRS and lease adjustments		81.4	71.9	159.3
Depreciation and amortisation		41.3	35.2	69.9
Other non-cash flow items (after taxation)		0.1	(0.1)	0.3
Operating cash flow after taxation	15%	122.8	107.0	229.5
Movement in working capital		144.1	178.7	67.2
Free operating cash flow before capex	(7%)	266.9	285.7	296.7
Weighted average number of shares for purposes of basic earnings per share (million)		404.1	404.0	404.0
Free operating cash flow before capex per share (cents)	(7%)	66.0	70.7	73.4

Notes to the condensed consolidated financial statements

for the six months ended 30 June 2014

1. Statement of compliance

The condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standard, IAS 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and the requirements of the Companies Act of South Africa. The accounting policies applied in the preparation of these interim financial statements are in terms of International Financial Reporting Standards and are consistent with those applied in the previous annual financial statements.

The preparation of the condensed consolidated interim financial results for the six months ended 30 June 2014 was supervised by Didier Oesch CA(SA), the Group's financial director.

These interim results have not been audited or reviewed.

R'm	Unaudited 6 months to 30 June 2014	Unaudited 6 months to 30 June 2013	Audited 12 months to 31 December 2013
Total comprehensive income for the period	81.1	71.6	155.7
Items excluded from headline earnings per share	0.1	(0.1)	0.3
Loss/(profit) on sale of property, plant and equipment	0.1	(0.2)	0.4
Taxation effects of adjustments	–	0.1	(0.1)
Headline earnings	81.2	71.5	156.0
Reconciliation of profit before taxation to cash generated from operations			
Profit before taxation	117.7	104.2	224.7
Adjust for non-cash IFRS and lease adjustments (before taxation)	1.6	1.8	3.9
Adjust:	119.3	106.0	228.6
Depreciation and amortisation	41.1	31.4	67.3
Net interest received	41.3	35.2	69.9
Other non-cash flow items	(0.3)	(3.6)	(3.0)
	0.1	(0.2)	0.4
Cash generated from operations	160.4	137.4	295.9

COMMENTARY

Overview

The directors are pleased to report further acceleration in the trend of profit growth over the six months ended 30 June 2014. The turnaround in the Tertiary division has been successful and a sound pattern of enrolment growth is evident throughout the education businesses. This enabled a 17% increase in operating profit with operating margin growing to 12.2%. Identification of further new opportunities led to capital expenditure increasing by 15%.

Group revenue increased by 9%, with double digit growth in the education divisions, leading to an increase in EBITDA of 17%. The capex programme resulted in depreciation increasing by 17% and net interest received reducing to R0.3 million (2013: R3.6 million). The effective taxation rate continued to decline slightly. The net outcome is that headline earnings increased by 14% to R81 million with headline earnings per share of 20.1 cents (2013: 17.7 cents).

The balance sheet remains strong and provides the financial resources to drive the Group's investment programme. The directors have declared a dividend of 11.0 cents (2013: 10.5 cents) per share.

Schools

The Schools division is a leader in the independent schools sector and consists of 36 campuses under the brands Abbotts College, CrawfordSchools™, Junior Colleges and Trinityhouse.

The Division contributed 47% of Group revenue and grew by 11% to R452 million. The bulk of the Group's present capital expenditure is directed into this Division. Consequently the results reflect the impact of opening new sites and the losses incurred in their early years of operation. This has limited operating profit growth for the Division to 1% with a small decline in operating margin. The Group's schools continue to attract strong demand and maintain significant waiting lists for key entry points.

Tertiary

The Tertiary division comprises The Independent Institute of Education which operates through the well-known tertiary brands Forbes Lever Baker, Rosebank College, The Design School Southern Africa, Varsity College and Vega. The Division has a national urban footprint of 21 campuses with an institutional structure that enhances academic leadership and governance.

The Division contributed 43% of Group revenue and grew by 10% to R412 million. Operating profit improved by 97% to R42 million after the successful completion of restructuring and strong enrolment of first year and continuing students.

Resourcing

The Resourcing division includes permanent and temporary staffing solutions as well as recruitment advertising, e-Recruitment and advertising response handling. The portfolio of brands includes Brent Personnel, Cassel & Company, Communicate Personnel, Inkokheli HR Appointments, Insource.ICT, IT Edge, Network Recruitment, Tech-Pro Personnel and The Working Earth.

The severe decline in staffing markets continued in 2014 mainly as a result of prolonged strikes with consequent economic weakness and declining employer confidence. Slight improvement has been noted in the latter part of the period under review and performance improved in the second quarter. Revenue, which represents 10% of Group revenue, declined by 6% and operating profit declined.

Financial

Free operating cash flow was driven by good cash collections in respect of both fees paid in advance, which increased by 17%, and the debtors' book in general. Notwithstanding the good collections, debtors grew at a marginally higher rate than the increase in revenue. This was largely due to the timing of receipts. Strong collections in July have brought this back in line. The limited increase in creditors was due to earlier payments of capital expenditure. Net asset value increased by 8% to R874 million with growth of 26% in tangible and technology assets to R1.3 billion.

Cash generated by operating activities of R305 million has enabled the financing of investments and capex of R92 million, taxation payments of R38 million and dividends of R61 million. While normal seasonal flows have reduced borrowings by R180 million, overall, increasing use is being made of the Group's revolving credit facility.

Declaration of interim dividend no. 10

The Board is pleased to announce the declaration of a gross dividend of 11.0 cents (2013: 10.5 cents) per ordinary share in respect of the period ended 30 June 2014. 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 15% and no credits in terms of Secondary Taxation on Companies (STC) were available for utilisation. The net amount per share payable to shareholders who are not exempt from DT is 9.35 cents per share, while it is 11.0 cents per share to those shareholders who are exempt from DT.

There are 421 282 422 ordinary shares in issue. The total interim dividend amount payable is R46 million.

Set out in the table below are the salient dates and times applicable to the dividend:

	2014
Declaration date	Friday, 22 August
Announcement date	Monday, 25 August
Last day to trade in order to participate in the dividend	Friday, 12 September
Trading commences ex dividend	Monday, 15 September
Record date	Friday, 19 September
Payment date	Monday, 22 September

Share certificates may not be dematerialised or rematerialised between Monday, 15 September 2014 and Friday, 19 September 2014, both days inclusive.

Directorate

The Board has announced the appointment of Leslie Maasdorp as CEO to take over from Frank Thompson who retires later this year. Leslie Maasdorp has been an independent non-executive director since 2009 and board chairman since 2010. He will formally take up his position on 24 October 2014 and is currently working alongside Frank Thompson to ensure a smooth transition.

In light of Leslie Maasdorp's appointment as CEO designate, he has resigned as Chairman of the Board and Jeff Livingstone, who has been an independent non-executive director since 2008, has been appointed Acting Chairman.

Prospects

The directors are satisfied that a trend of earnings growth has been re-established. The increased investments in the Schools division continues to pose short term challenges for operating margin but as these schools grow into their capacity the outlook for the medium term and beyond is promising. The Tertiary division's strong enrolment of both new and continuing students augurs well for revenue led growth. The Resourcing division continues to feel the effects of very difficult employment markets but its lean and flexible operating model remains well positioned and continues to contribute positively to earnings and cash flow.

In the next year the Group will invest further in its strong and well-established brands while also exploring new projects and partnerships to extend market reach and geographic footprint across Africa. A particular focus is the development of innovative, technology-enabled, low fee schools.

All in all, the directors are satisfied that the Group's results and the trends evident in them are positive forward indicators. As a result, the Group will continue to identify and implement growth and investment opportunities in our high growth sectors.

Jeff Livingstone  
Acting Chairman

25 August 2014

Frank Thompson  
Chief Executive Officer