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

# INTERIM RESULTS

for the six months ended 30 June 2020

↑13% REVENUE

↑27% CASH GENERATED BY OPERATING ACTIVITIES

↓2% NORMALISED EARNINGS PER SHARE

↑32% FREE OPERATING CASH FLOW BEFORE CAPEX

↑4% OPERATING PROFIT

## ROBUST, RESILIENT, SUSTAINABLE – ADvTECH STRATEGY PREVAILS

### Schools division

↑10% REVENUE

BENEFITS OF RESTRUCTURING AND RATIONALISATION

- Agility in offering sustained quality education through various modes of delivery
- Continuing to build scale in the rest of Africa

### University/tertiary division

↑14% REVENUE

THE IIE IS SA'S LEADING "PRIVATE UNIVERSITY"

- Established flexible academic offering and delivery methods
- Resilient performance

### Resourcing division

↑20% REVENUE

REMAINS PROFITABLE DESPITE TOUGH SA MARKET

- Good performance in the rest of Africa
- Dual focus on permanent and contract placements

## Introduction

ADvTECH had a strong start to the financial year with our schools, tertiary and resourcing divisions all reaping the rewards of strategic decisions taken in previous periods. We enjoyed good enrolment growth and witnessed the benefits from our restructuring, rationalisation and cost saving initiatives, resulting in the group being well-positioned to withstand the effects of the COVID-19 pandemic. Central to the group's strategy is the ability to continue with our educational offering at any time, at any place and through our students' preferred mode of delivery, either in person or online.

The National State of Disaster lockdown, instituted by government, fast-tracked our implementing of different modes of educational delivery developed over recent years. The speed with which we were able to transition to online teaching was as a result of having invested in a learning management system in 2015, the commitment and adaptability of our teachers and lecturers, the rapid response of the Central Academic Team and other support teams in adapting our offering and the IT team's ability to swiftly and effectively implement revised processes. This effort will ensure that we complete the full academic curriculum for the year.

The board would like to thank both ADvTECH's employees and students who showed remarkable resilience and collaboration that enabled the sustained provision of the highest quality of academic excellence. The lockdown has also highlighted the importance of environmental and social awareness, in addition to good corporate governance. It is only natural then that the group heightened its focus on monitoring the general health and wellness of our stakeholders, and the implementation of strong Occupational Health and Safety protocols, reporting and processes. We remain committed to the provision of the highest quality education in a way that enables students to participate and benefit within a safe environment that is conducive to learning. Remedial and ameliorative actions were arranged for those students not able to participate optimally in online schooling during the lockdown, and we also found it important that our online schooling has a pastoral care offering.

During the second quarter of this year, and particularly during April, as some parents faced ongoing financial strain, we witnessed a slowdown in collections, an increase in requests for financial assistance and withdrawals. In response, we instituted individualised interventions to support those who had been negatively impacted by the lockdown. Encouragingly, we saw an improvement in collections in May and June as lockdown restrictions eased and schools reopened. To date, ADvTECH has provided assistance to the value of R37 million to 5 386 families whose ability to pay full fees was impacted. We wish to thank our parents for continuing to partner with us in securing the best education for their children.

## Financial performance – resilience and dedication of our employees supports a positive outcome

The board is pleased with the sound financial performance of the group, demonstrating the outcomes of mitigating actions taken both before and as a result of the pandemic. The results for the six months ended 30 June 2020 reflects a tale of two quarters, pre and post the onset of COVID-19 and the resultant lockdown.

As communicated to shareholders in our 27 May 2020 business update, during the first three months to March 2020 we continued to grow enrolments in the schools and tertiary divisions, and benefited from efficiencies previously implemented in the schools division which, combined with a strong performance in our resourcing divisions, resulted in a strong financial performance to 31 March 2020. We cautioned, however, that we believed this was unlikely to be sustainable owing to the impact of the lockdown. In the three months from April 2020 to the end of this reporting period on 30 June 2020, the group experienced a slowdown in collections and lost revenue as explained below.

Group revenue grew by 13% to R2.8 billion for the six months to 30 June 2020. We estimate that COVID-19 affected our revenue by R88 million, owing to the withdrawal of students, Makini being unable to recognise revenue for two months as a result of a government directive, not being able to provide boarding, aftercare, early-childhood development and extramural activities and the loss of revenue in resourcing South Africa.

Operating profit, which increased by 4% to R444 million (2019: R428 million), was additionally tempered by an increase in provision for doubtful debtors of R91 million and COVID-19 related costs of R15 million, which were partially offset by savings achieved of R53 million. The higher net financing costs and taxation rate in the period resulted in normalised earnings for the period decreasing by 1% to R226 million (2019: R229 million) while normalised earnings per share decreased by 2% to 41.8 cents (2019: 42.5 cents) per share.

## Financial impact of COVID-19

The group implemented tracking mechanisms to measure the impact of the pandemic on the group's results. The table and illustrative segmental analysis below provide a summary of these impacts and demonstrates the effect on the group's results respectively.

### Estimated divisional impact of COVID-19
**for the six months ended 30 June 2020**

| R'm | Schools – South Africa | Schools – Rest of Africa | Tertiary | Resourcing – South Africa | Resourcing – Rest of Africa | Total |
|---|---|---|---|---|---|---|
| Lost revenue | (26.3) | (19.5) | (16.8) | (25.7) | – | **(88.3)** |
| Cost savings relating to lost revenue | 10.9 | 6.1 | 3.6 | 5.5 | – | **26.1** |
| Net effect of lost revenue | (15.4) | (13.4) | (13.2) | (20.2) | – | **(62.2)** |
| COVID-19 related costs | (7.9) | (2.3) | (4.2) | (0.3) | (0.7) | **(15.4)** |
| Doubtful debtors expense* | (15.1) | (9.1) | (47.2) | (0.6) | (0.5) | **(72.5)** |
| Other cost savings | 12.1 | 1.2 | 8.4 | 5.3 | – | **27.0** |
| Estimated impact on operating profit | (26.3) | (23.6) | (56.2) | (15.8) | (1.2) | **(123.1)** |

* *80% of the increase in bad debts written-off and the provision for doubtful debtors is considered to be COVID-19 related.*

### Illustrative condensed consolidated segmental report
**for the six months ended 30 June 2020**

| R'm | Percentage increase on 2019 | Illustrative results excluding the impact of COVID-19 6 months to 30 June 2020 | COVID-19 Impact | Percentage increase/ (decrease) on 2019 | Unaudited 6 months to 30 June 2020 | Unaudited 6 months to 30 June 2019 |
|---|---|---|---|---|---|---|
| Revenue | 17% | **2 916.8** | 88.3 | 13% | **2 828.5** | 2 499.2 |
| Schools | 14% | **1 225.2** | 45.8 | 10% | **1 179.4** | 1 076.3 |
| – South Africa | 11% | **1 097.8** | 26.3 | 9% | **1 071.5** | 984.7 |
| – Rest of Africa | 39% | **127.4** | 19.5 | 18% | **107.9** | 91.6 |
| Tertiary | 16% | **1 204.2** | 16.8 | 14% | **1 187.4** | 1 038.1 |
| Resourcing | 26% | **489.6** | 25.7 | 20% | **463.9** | 387.2 |
| – South Africa | 0% | **124.9** | 25.7 | (21%) | **99.2** | 124.9 |
| – Rest of Africa | 39% | **364.7** | – | 39% | **364.7** | 262.3 |
| Intra group revenue | | **(2.2)** | – | | **(2.2)** | (2.4) |
| Operating profit before interest and non-trading items | 33% | **567.3** | 123.1 | 4% | **444.2** | 427.6 |
| Schools | 41% | **239.1** | 49.9 | 11% | **189.2** | 169.7 |
| – South Africa | 28% | **224.6** | 26.3 | 13% | **198.3** | 175.1 |
| – Rest of Africa | | **14.5** | 23.6 | | **(9.1)** | (5.4) |
| Tertiary | 26% | **308.4** | 56.2 | 3% | **252.2** | 244.7 |
| Resourcing | 50% | **19.8** | 17.0 | (79%) | **2.8** | 13.2 |
| – South Africa | 35% | **7.4** | 15.8 | | **(8.4)** | 5.5 |
| – Rest of Africa | 61% | **12.4** | 1.2 | 45% | **11.2** | 7.7 |

*The illustrative results show the estimated impact of the COVID-19 pandemic. These results have been prepared for illustrative purposes only and are the responsibility of the group's directors.*

## Sustainability, funding and cash preservation

ADvTECH took tough decisions and managed costs in such a way that we were able to continue delivering academic excellence and provide an education experience that supports our commitment to quality academic tuition. Our strategy throughout has been to curtail operational costs without furloughing or reducing pay to the educators that enable us to offer the quality education that we do, whether through our superior online offering or on site. This decision benefited the group by ensuring that our educators remained highly motivated and that delivery of high quality education continued uninterrupted, as is evidenced by the high rates of student retention.

| Enrolments | February 2019 | February 2020 | % Movement year-on-year | June 2020 | % Movement Feb 2020 – June 2020 |
|---|---|---|---|---|---|
| **Schools:** | 30 827 | 32 370 | 5% | **31 937** | (1%) |
| SA: Pre-primary | 4 240 | 4 187 | (1%) | **3 871** | (8%) |
| SA: Primary | 12 597 | 13 190 | 5% | **13 098** | (1%) |
| SA: High | 8 631 | 9 016 | 4% | **8 992** | – |
| Rest of Africa | 5 359 | 5 977 | 12% | **5 976** | – |
| **Tertiary: Full qualifications*** | 39 629 | 44 975 | 13% | **46 620** | 4% |
| **Group** | 70 456 | 77 345 | 10% | **78 557** | 2% |

* *Tertiary student numbers are higher at June 2020 compared to February 2020 as the enrolment season concluded during March 2020.*

We have focused on preserving a healthy balance sheet, with net borrowings being well-within our covenants, thereby protecting us against any financing or liquidity risk. A series of cash preservation measures have been implemented, including the curbing of non-essential capex and operating costs. We, therefore, do not foresee a need for any capital raising at this stage.

These cash preservation interventions, together with fees received in advance, allowed the group to reduce net borrowings from R2.6 billion at 31 December 2019 to R1.7 billion at 30 June 2020, reflecting a net inflow of R0.9 billion (2019: R0.1 billion) during the period.

Collections for the period are 8% higher than for the corresponding period of last year, but 5% below our target. The below-target collections have resulted in debtors increasing by R179 million, or 26%, from R686 million, and at 30 June 2019 to R865 million at 30 June 2020. With revenue growing by 13%, the balance of the increase above 13% can reasonably be attributed to the impact of COVID-19 on fee payers. This necessitated the provision for doubtful debtors to be increased by R123 million, or 39%, from R314 million at 30 June 2019 to R437 million at 30 June 2020. This represents 51% coverage of the debtors balance compared to 46% in the prior year. Approximately R1 billion relating to fees for the second half of the year had been collected at 30 June 2020, an increase compared to 30 June 2019, which is in line with revenue growth.

Cash generated by operating activities increased by 27% to R1,268 million (2019: R999 million). This enabled the funding of investments and capital expenditure of R176 million, payment of financing costs of R118 million and taxation of R97 million, repayment of lease liabilities of R46 million and the settlement of debt amounting to R742 million. While collections are expected to remain under pressure as a result of the ongoing economic impact of the lockdown, our sensitivity analysis demonstrates that the group is well positioned to fund its operations and is unlikely to breach its loan covenants and that the group has significant capacity to navigate this crisis within its existing facilities. At 30 June 2020, the group had access to unutilised facilities of R1 billion.

Capital expenditure to date and for the balance of this financial year is being focussed on increasing capacity on sites where it is required 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.

### Schools South Africa – agility in offering sustained quality education through various modes of delivery

The schools in South Africa increased revenue by 9% to R1,072 million (2019: R985 million) and operating profit increased by 13% to R198 million (2019: R175 million).

There were some negligible 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.

In line with our strategy to defend our revenue and using the mode of delivery preferred by our students, we launched our online school, Evolve, in August 2020. This world class home-schooling offering gives parents an alternative option for accessing quality education for their children. The online school will open in January 2021 with registrations starting in September 2020.

We will continue to sharpen our brand value propositions, while expanding our mid-fee offering through the repositioning of select schools. Maragon Ruimsig has been repositioned as a Crawford International, while the remaining Maragon schools will be merged within our other brands. Two underperforming schools, Trinityhouse North Riding and Trinityhouse Palm Lakes, will be closed at the end of the year, affecting approximately 200 students, the majority of which we hope to accommodate in our nearby schools.

### Rest of Africa schools – continuing to build scale

Despite the operating loss incurred in this period by schools in the rest of Africa, we remain confident that our investments will deliver a meaningful contribution to the group in the medium term. We have continued to build scale with revenue increasing by 18% to R108 million (2019: R92 million), notwithstanding that Makini was unable to bill fees for two months in the period, as a result of a directive issued by the Kenyan government to defer the school year.

Gaborone International School continues to perform well and proceeded with online tuition following Botswana's lockdown. Schools reopened on 25 May 2020 with good attendance. Botswana, however, has since had another two hard lockdowns resulting in our schools moving to online tuition again. Currently the schools are open again but remain ready for any sudden lockdown and will again move immediately to online tuition.

In Kenya, the government abandoned the entire academic year for the national Kenyan curriculum schools, and has stopped all schools from having students on site until 2021. In line with all our other schools, we were able to move to online learning so that students would be able to continue with their educational development. While Crawford International School in Kenya was affected by the closure, they were able to seamlessly move to online tuition. Owing to their offering of the Cambridge international curriculum, they were also able to continue with their school calendar and successfully completed the academic year in July 2020. The inaugural class at Crawford International School delivered an exceptional performance in their first International General Certificate of Secondary Education (IGCSE) exams administered by the University of Cambridge obtaining an average of 4.2 A's per student, with three students receiving full house A's. Their new academic year will commence as planned in September 2020, ensuring that students can progress to the next grade and not lose a year. This has given them a competitive advantage which has resulted in new enrolments during lockdown, with further student enrolments expected as a result of our successful online offering and parents not willing to settle for the loss of a school year. Crawford International School, which is now in its second year of operation reported a significantly reduced operating loss as it progresses through the "J" curve.

Makini, however, was severely impacted by the scrapping of the academic year and has responded by designing an alternative e-learning curriculum to support students, while also managing costs as low as possible. To mitigate the impact on the business further, Makini is also launching, in parallel with the national Kenyan curriculum, the option of signing up for the Cambridge international curriculum with effect from 7 September 2020.

### University/tertiary division – resilient performance due to the quality and 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 13% student growth.

Revenue increased by 14% to R1,187 million (2019: R1,038 million) and operating profit, having been impacted by a higher level of provision for doubtful debtors, increased by 3% to R252 million (2019: R245 million). The operating margin was further impacted by the integration of IIE MSA. The restructuring of IIE MSA has however progressed well.

Our tertiary brands have been agile in their delivery of education during the period. The division negotiated reduced-fee data bundles for students and while still experiencing growth, we will continue to reassess the delivery model across all our campuses and will introduce more online and blended learning options. At Vega, we reconsidered our short course model and going forward will only be delivering online short courses. In our Oxbridge faculties, greater student support was implemented to allow continued access to education, a student relations office was established and the traditional 'print-and-post' delivery mode was enhanced with an electronic student portal for downloads. This approach was well-received by students and has enabled the brand to broaden its reach, already offering courses in Ghana, Zambia and Kenya.

In addition, we initiated boot camp programmes to enable students to continue their studies and review their work, and contact was made with students to ensure they were supported and engaged. In South Africa, at tertiary level, only two thirds of students can return to campus currently and we await further direction from government as to when more students may return. However, all students that are not on site can access online teaching.

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

### Resourcing division – remains profitable due to a good performance in the rest of Africa

The strategy to expand into the rest of Africa allowed the resourcing division to remain profitable despite the extremely challenging environment in South Africa, where owing to the lockdown, hiring activity came to a standstill over April and May. We saw some recovery in June but hiring sentiment remains extremely low. On the other hand, operations in the rest of Africa have delivered growth over the last six-month period, increasing revenue by 39% to R365 million (2019: R262 million) and operating profit by 45% to R11 million (2019: R8 million)

After resourcing South Africa delivered a solid performance in the first quarter, the hiring standstill in the second quarter resulted in revenue decreasing by 21% to R99 million (2019: R125 million) for the six months to 30 June 2020. To mitigate the impact of the lower revenue and minimise the operating loss, strategies to reduce costs were implemented that, unfortunately, included salary cuts, temporary layoffs and retrenchments. 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 during the period.

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

## Changes to the board

The following changes to the board occurred following the publication of our 2019 financial results in March:

- We welcomed Ms Konehali Gugushe, who was appointed to the board with effect from 17 April 2020;
- Professor Jonathan Jansen retired as a board member with effect from 28 May 2020; and
- Mr Stafford Masie resigned effective 5 August 2020.

## Prospects

We expect the socio and macro-economic environment to remain weak in South Africa and have therefore taken the tough but necessary decision to further rationalise the business without harming it or destroying shareholder value. We have considered the business environment, the expected impact of the economy on our stakeholders, on fees and collections, as well as the capital expenditure needs of the group in the short to medium term.

We, therefore, remain cautious and will focus on maintaining a sustainable business which will withstand and be responsive to the current economic environment, while enhancing our educational offerings to ensure that they remain relevant into the long term. Cash preservation measures will continue, and our capex will remain within the previously guided levels of approximately R300 million for the 2020 financial year.

The schools division will continue with the remaining restructuring and rationalisation to enhance our brand value proposition during the year. While greater uncertainty exists for the tertiary division owing to lower levels of engagement experienced as a result of the lockdown, we continue to support students not to forego the academic year. We took the appropriate measures to defend our business with both education divisions having retained the enrolment growth achieved at the beginning of 2020. The strategy of market and geographic diversity has proven to be valuable for the resourcing division and combined with the actions to preserve cash, the resourcing division remains viable despite the extreme difficulty faced in their South African market.

As communicated to our shareholders in our business update in May 2020, we do not consider declaring an interim dividend for the 2020 financial year to be appropriate for our business and operations over the medium term, owing to the uncertain economic outlook and the effect of COVID-19. Furthermore, the nature of the operating environment remains uncertain and caution should be used in interpreting our first six months' results as an indication of the full year performance.

We have maintained a strong balance sheet with significant capacity to navigate the uncertainty by maintaining our cashflow and staying within our existing facilities with sustainable cost and capital expenditure containment measures. The board and management, therefore, are satisfied that the group has significant resilience aligned to its strategy to navigate through the current economic crisis.

On behalf of the board

**Chris Boulle**
*Chairman*

**Roy Douglas**
*Chief executive officer*

**Didier Oesch**
*Group commercial director and chief financial officer*

**31 August 2020**

## Condensed consolidated statement of profit or loss

for the six months ended 30 June 2020

| R'm | Notes | Percentage increase/ (decrease) | Unaudited 6 months to 30 June 2020 | Unaudited 6 months to 30 June 2019 | Audited 12 months to 31 December 2019 |
|---|---|---|---|---|---|
| **Revenue** | 2 | 13% | **2 828.5** | 2 499.2 | 5 108.0 |
| Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA) | | 5% | **610.0** | 580.4 | 1 173.6 |
| **Operating profit before interest and non-trading items** | | 4% | **444.2** | 427.6 | 869.1 |
| Non-trading items | 3 | | **(43.2)** | 13.3 | 13.5 |
| Net finance costs | | | **(117.8)** | (101.0) | (221.8) |
| Interest earned | | | **1.1** | 4.1 | 5.2 |
| Finance costs incurred | | | **(86.5)** | (78.2) | (167.4) |
| Finance costs on lease liabilities | | | **(32.4)** | (26.9) | (59.6) |
| Profit before taxation | | (17%) | **283.2** | 339.9 | 660.8 |
| Taxation | | | **(98.5)** | (97.8) | (192.5) |
| **Profit for the period** | | (24%) | **184.7** | 242.1 | 468.3 |
| **Profit for the period attributable to:** | | | | | |
| Owners of the parent | | | **181.9** | 239.4 | 469.4 |
| Non-controlling interests | | | **2.8** | 2.7 | (1.1) |
| | | | **184.7** | 242.1 | 468.3 |
| **Earnings per share (cents)** | | | | | |
| Basic | | (24%) | **33.6** | 44.4 | 87.1 |
| Diluted | | (24%) | **33.6** | 44.4 | 87.1 |

## Headline and normalised earnings

for the six months ended 30 June 2020

| R'm | Percentage decrease | Unaudited 6 months to 30 June 2020 | Unaudited 6 months to 30 June 2019 | Audited 12 months to 31 December 2019 |
|---|---|---|---|---|
| **Determination of headline earnings** | | | | |
| Profit for the period attributable to owners of the parent | | **181.9** | 239.4 | 469.4 |
| Items excluded from headline earnings per share | | **34.5** | (5.6) | (5.7) |
| Loss/(profit) on sale of property, plant and equipment | | **0.5** | (0.1) | 0.5 |
| Loss on sale of subsidiaries | | **6.8** | – | – |
| Impairment of intangible assets | | **24.9** | – | – |
| Impairment of property, plant and equipment | | **11.1** | – | – |
| Gain on bargain purchase of acquisition | | **–** | (5.5) | (6.1) |
| Taxation effects of adjustments | | **(8.8)** | – | (0.1) |
| **Headline earnings** | (7%) | **216.4** | 233.8 | 463.7 |
| **Headline earnings per share (cents)** | | | | |
| Basic | (8%) | **40.0** | 43.4 | 86.0 |
| Diluted | (8%) | **40.0** | 43.4 | 86.0 |
| **Determination of normalised earnings** | | | | |
| Headline earnings | | **216.4** | 233.8 | 463.7 |
| Items excluded from normalised earnings per share | | **9.8** | (4.9) | (4.5) |
| Corporate action costs | | **0.4** | 3.8 | 3.9 |
| Write-off of deferred taxation assets | | **4.8** | – | – |
| Remeasurement of deferred taxation assets | | **4.7** | – | – |
| Foreign currency gain arising on corporate action | | **–** | (6.2) | (6.2) |
| Insurance proceeds (net of costs) on previously reported fraud event | | **–** | (5.4) | (5.1) |
| Taxation effects of adjustments | | **(0.1)** | 2.9 | 2.9 |
| **Normalised earnings** | (1%) | **226.2** | 228.9 | 459.2 |
| **Normalised earnings per share (cents)** | | | | |
| Basic | (2%) | **41.8** | 42.5 | 85.2 |
| Diluted | (2%) | **41.8** | 42.5 | 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 as well as 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.*

## Condensed consolidated statement of other comprehensive income

for the six months ended 30 June 2020

| R'm | Unaudited 6 months to 30 June 2020 | Unaudited 6 months to 30 June 2019 | Audited 12 months to 31 December 2019 |
|---|---|---|---|
| **Profit for the period** | **184.7** | 242.1 | 468.3 |
| **Other comprehensive income, net of income taxation** | | | |
| ***Items that may be reclassified subsequently to profit or loss*** | | | |
| Exchange gain/(loss) on translating foreign operations | **86.4** | (18.7) | (18.5) |
| **Total comprehensive income for the period** | **271.1** | 223.4 | 449.8 |
| **Total comprehensive income for the period attributable to:** | | | |
| Owners of the parent | **266.4** | 222.4 | 451.1 |
| Non-controlling interests | **4.7** | 1.0 | (1.3) |
| | **271.1** | 223.4 | 449.8 |

## Condensed consolidated statement of financial position

as at 30 June 2020

| R'm | Note | Unaudited 30 June 2020 | Unaudited 30 June 2019 | Audited 31 December 2019 |
|---|---|---|---|---|
| **Assets** | | | | |
| **Non-current assets** | | **7 176.7** | 6 788.5 | 6 973.3 |
| Property, plant and equipment | | **4 882.4** | 4 479.2 | 4 803.1 |
| Proprietary technology systems | | **102.9** | 87.4 | 80.9 |
| Right-of-use assets | | **485.2** | 494.7 | 384.2 |
| Goodwill | | **1 484.5** | 1 459.8 | 1 459.9 |
| Intangible assets | | **173.1** | 203.5 | 197.1 |
| Deferred taxation assets | | **40.1** | 56.9 | 40.5 |
| Investment in joint arrangement | | **8.5** | 7.0 | 7.6 |
| **Current assets** | | **831.9** | 715.2 | 602.9 |
| Trade and other receivables | 4 | **490.9** | 443.0 | 326.2 |
| Taxation | | **15.3** | – | 39.0 |
| Other current assets | | **78.1** | 85.3 | 67.2 |
| Bank balances and cash | | **247.6** | 186.9 | 170.5 |
| Non-current assets held for sale | | **67.7** | – | 67.8 |
| **Total assets** | | **8 076.3** | 7 503.7 | 7 644.0 |
| **Equity and liabilities** | | | | |
| **Equity** | | **3 679.8** | 3 266.4 | 3 420.3 |
| **Non-current liabilities** | | **2 441.9** | 2 477.9 | 2 414.5 |
| Long-term bank loans | | **1 800.0** | 1 800.0 | 1 800.0 |
| Deferred taxation liabilities | | **148.4** | 145.3 | 170.9 |
| Lease liabilities | | **414.6** | 460.0 | 369.2 |
| Acquisition liabilities | | **78.9** | 72.6 | 74.4 |
| **Current liabilities** | | **1 954.6** | 1 759.4 | 1 809.2 |
| Short-term bank loans | | **143.9** | 178.5 | 880.1 |
| Current portion of lease liabilities | | **181.7** | 136.0 | 116.3 |
| Trade and other payables | | **499.7** | 398.5 | 438.8 |
| Taxation | | **–** | 17.7 | – |
| Fees received in advance and deposits | | **1 109.6** | 1 015.7 | 328.8 |
| Bank overdraft | | **19.7** | 13.0 | 45.2 |
| **Total liabilities** | | **4 396.5** | 4 237.3 | 4 223.7 |
| **Total equity and liabilities** | | **8 076.3** | 7 503.7 | 7 644.0 |

## Condensed consolidated segmental report

for the six months ended 30 June 2020

| R'm | Percentage increase/ (decrease) | Unaudited 6 months to 30 June 2020 | Unaudited 6 months to 30 June 2019 | Audited 12 months to 31 December 2019 |
|---|---|---|---|---|
| Revenue | 13% | **2 828.5** | 2 499.2 | 5 108.0 |
| Schools | 10% | **1 179.4** | 1 076.3 | 2 226.4 |
| – South Africa | 9% | **1 071.5** | 984.7 | 2 022.2 |
| – Rest of Africa | 18% | **107.9** | 91.6 | 204.2 |
| Tertiary | 14% | **1 187.4** | 1 038.1 | 2 145.3 |
| Resourcing | 20% | **463.9** | 387.2 | 740.7 |
| – South Africa | (21%) | **99.2** | 124.9 | 262.6 |
| – Rest of Africa | 39% | **364.7** | 262.3 | 478.1 |
| Intra group revenue | | **(2.2)** | (2.4) | (4.4) |
| Operating profit before interest and non-trading items | 4% | **444.2** | 427.6 | 869.1 |
| Schools | 11% | **189.2** | 169.7 | 344.3 |
| – South Africa | 13% | **198.3** | 175.1 | 357.5 |
| – Rest of Africa | | **(9.1)** | (5.4) | (13.2) |
| Tertiary | 3% | **252.2** | 244.7 | 495.5 |
| Resourcing | (79%) | **2.8** | 13.2 | 29.3 |
| – South Africa | | **(8.4)** | 5.5 | 14.2 |
| – Rest of Africa | 45% | **11.2** | 7.7 | 15.1 |
| Property, plant and equipment, proprietary technology systems, right-of-use assets and non-current assets held for sale | 9% | **5 538.2** | 5 061.3 | 5 336.0 |
| Schools | 9% | **3 863.3** | 3 550.3 | 3 771.6 |
| – South Africa | 4% | **3 354.4** | 3 230.1 | 3 345.4 |
| – Rest of Africa | 59% | **508.9** | 320.2 | 426.2 |
| Tertiary | 11% | **1 649.9** | 1 486.2 | 1 545.9 |
| Resourcing | 1% | **25.0** | 24.8 | 18.5 |
| – South Africa | (9%) | **20.4** | 22.3 | 13.7 |
| – Rest of Africa | 84% | **4.6** | 2.5 | 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.*

## Condensed consolidated statement of changes in equity

for the six months ended 30 June 2020

| R'm | Unaudited 6 months to 30 June 2020 | Unaudited 6 months to 30 June 2019 | Audited 12 months to 31 December 2019 |
|---|---|---|---|
| Balance at beginning of the period before restatement | **3 420.3** | 3 171.9 | 3 171.9 |
| Opening balance adjustments (IFRS 15 and IFRS 16) | **–** | (49.9) | (48.2) |
| Restated balance at beginning of the period | **3 420.3** | 3 122.0 | 3 123.7 |
| Total comprehensive income for the period | **271.1** | 223.4 | 449.8 |
| Dividends declared to shareholders | **(0.2)** | (83.4) | (170.9) |
| Share-based payment expense | **0.9** | 1.3 | 2.7 |
| Share award expense under the management share incentive scheme (MSI) | **–** | 2.7 | 13.6 |
| Taxation effect of shares awarded under the management share incentive scheme (MSI) | **–** | – | (1.0) |
| Share issue costs | **–** | – | (0.1) |
| Share options exercised | **–** | 0.4 | 2.5 |
| Non-controlling interest on disposal of subsidiary | **3.4** | – | – |
| Acquisition of additional shares in subsidiary | **(15.7)** | – | – |
| **Balance at end of the period** | **3 679.8** | 3 266.4 | 3 420.3 |

## Condensed consolidated statement of cash flows

**for the six months ended 30 June 2020**

| R'm | Note | Percentage increase | **Unaudited 6 months to 30 June 2020** | Unaudited 6 months to 30 June 2019 | Audited 12 months to 31 December 2019 |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Cash generated from operations | 5 | 3% | **606.4** | 586.9 | 1 192.1 |
| Movement in working capital | | | **661.4** | 412.5 | (108.5) |
| Cash generated by operating activities | | 27% | **1 267.8** | 999.4 | 1 083.6 |
| Net finance costs paid (inclusive of capitalised borrowing costs and finance costs on lease liabilities) | | | **(118.4)** | (106.5) | (234.3) |
| Taxation paid | | | **(97.4)** | (113.7) | (223.8) |
| Dividends paid | | | **(0.2)** | (83.4) | (170.7) |
| Net cash inflow from operating activities | | | **1 051.8** | 695.8 | 454.8 |
| **Cash flows from investing activities** | | | | | |
| Additions to property, plant and equipment | | | **(137.2)** | (195.1) | (660.2) |
| Additions to proprietary technology systems | | | **(24.8)** | (19.8) | (20.5) |
| Purchase of shares in subsidiary/Business combinations | | | **(15.7)** | (320.0) | (320.0) |
| Proceeds on disposal of property, plant and equipment | | | **1.5** | 1.4 | 2.1 |
| Disposal of subsidiaries | | | **0.3** | – | – |
| Net cash outflow from investing activities | | | **(175.9)** | (533.5) | (998.6) |
| **Cash flows from financing activities** | | | | | |
| Increase in non-current bank loans | | | **–** | 300.0 | 300.0 |
| Settlement of current bank loans | | | **(861.7)** | (567.2) | (595.7) |
| Drawdowns of current bank loans | | | **120.0** | 150.0 | 880.1 |
| Repayment of lease liabilities | | | **(45.5)** | (51.1) | (96.9) |
| Cash received on exercise of share options | | | **–** | 0.4 | 2.4 |
| Net cash (outflow)/inflow from financing activities | | | **(787.2)** | (167.9) | 489.9 |
| Net increase/(decrease) in cash and cash equivalents | | | **88.7** | (5.6) | (53.9) |
| Cash and cash equivalents (net of bank overdraft) at beginning of the period | | | **125.3** | 180.5 | 180.5 |
| Net foreign exchange differences on cash and cash equivalents | | | **13.9** | (1.0) | (1.3) |
| **Cash and cash equivalents (net of bank overdraft) at end of the period** | | | **227.9** | 173.9 | 125.3 |

## Free operating cash flow before capex per share

**for the six months ended 30 June 2020**

| R'm | Percentage increase/ (decrease) | **Unaudited 6 months to 30 June 2020** | Unaudited 6 months to 30 June 2019 | Audited 12 months to 31 December 2019 |
|---|---|---|---|---|
| Profit for the period | | **184.7** | 242.1 | 468.3 |
| Adjusted for non-cash IFRS and other adjustments (after taxation) | | **(3.7)** | (2.6) | 7.5 |
| Net operating profit after taxation – adjusted for non-cash IFRS and other adjustments | | **181.0** | 239.5 | 475.8 |
| Depreciation, amortisation and impairment | | **201.8** | 152.8 | 304.5 |
| Repayment of lease liabilities | | **(45.5)** | (51.1) | (96.9) |
| Taxation adjustment on IFRS 16 leases | | **(2.2)** | (1.0) | (1.6) |
| Loss/(profit) on sale of property, plant and equipment (after taxation) | | **0.4** | (0.1) | 0.4 |
| Operating cash flow after taxation | (1%) | **335.5** | 340.1 | 682.2 |
| Movement in working capital | | **661.4** | 412.5 | (108.5) |
| Free operating cash flow before capex | 32% | **996.9** | 752.6 | 573.7 |
| Free operating cash flow before capex per share (cents) | 32% | **184.1** | 139.7 | 106.4 |

## Supplementary information

**for the six months ended 30 June 2020**

| R'm | **Unaudited 6 months to 30 June 2020** | Unaudited 6 months to 30 June 2019 | Audited 12 months to 31 December 2019 |
|---|---|---|---|
| Capital expenditure (inclusive of capitalised borrowing costs) – current period | **165.0** | 222.6 | 704.6 |
| Capital commitments | **1 048.8** | 1 441.1 | 1 126.8 |
| Authorised by directors and contracted for | **287.4** | 718.0 | 363.8 |
| Authorised by directors and not yet contracted for | **761.4** | 723.1 | 763.0 |
| Anticipated timing of spend | **1 048.8** | 1 441.1 | 1 126.8 |
| 0 – 2 years | **281.2** | 701.1 | 367.5 |
| 3 – 5 years | **455.7** | 385.2 | 428.7 |
| more than 5 years | **311.9** | 354.8 | 330.6 |

## Notes to the condensed consolidated interim financial statements

**for the six months ended 30 June 2020**

### 1.1 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 condensed consolidated interim financial statements are in terms of International Financial Reporting Standards and are consistent with those applied in the previous consolidated annual financial statements.

The preparation of the condensed consolidated interim financial results for the six months ended 30 June 2020 was supervised by Didier Oesch CA(SA), the group's commercial director and chief financial officer.

These interim results have not been audited or reviewed.

### 1.2 Events after the reporting period

As at the reporting date of 30 June 2020, all students at our South African schools were able to return to their respective sites, for face to face lessons, or if they preferred, could continue with their classes online. In Botswana, the government has implemented sporadic lockdowns which impacted on school attendance. However, the online offering continued throughout these lockdowns. In Kenya, schools following the national Kenyan curriculum have had the second term postponed to January 2021. Makini is affected by this and they are offering additional teaching online until they are able to resume the school year. Crawford International School in Kenya, which offers the Cambridge international curriculum continues to offer its classes online while on-site schooling remains closed.

The tertiary division had been limited to an on-site capacity utilisation of 33%. With the lifting of restrictions from 17 August 2020, the division is now able to increase capacity utilisation to 67%.

The above are considered non-adjusting events after the reporting period.

The directors are not aware of any other matter or circumstance occurring between the date of the statement of financial position and the date of this report that materially affects the results of the group for the period ended 30 June 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 condensed consolidated interim 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 | **Unaudited 6 months to 30 June 2020** | Unaudited 6 months to 30 June 2019 | Audited 12 months to 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 consolidated segmental report): | | | |
| Education services | **2 366.8** | 2 114.4 | 4 371.7 |
| – Tuition – Schools | **1 219.6** | 1 092.9 | 2 266.2 |
| – Tuition – Tertiary | **1 192.0** | 1 042.6 | 2 148.5 |
| – Bursaries and discounts | **(109.5)** | (98.8) | (197.6) |
| Net tuition fees | **2 302.1** | 2 036.7 | 4 217.1 |
| Boarding fees | **9.2** | 16.7 | 33.3 |
| Enrolment and application fees | **32.5** | 32.1 | 57.1 |
| Extramural activities and aftercare | **22.6** | 28.8 | 57.8 |
| Education material and uniforms | **0.4** | 0.1 | 6.4 |
| Placement fees | **463.9** | 387.2 | 740.7 |
| Intra group revenue | **(2.2)** | (2.4) | (4.4) |
| | **2 828.5** | 2 499.2 | 5 108.0 |
| **3. Non-trading items** | | | |
| Corporate action costs | **(0.4)** | (3.8) | (3.9) |
| Impairment of intangible assets | **(24.9)** | – | – |
| Impairment of property, plant and equipment | **(11.1)** | – | – |
| Loss on sale of subsidiaries | **(6.8)** | – | – |
| Foreign currency gain arising on corporate action | **–** | 6.2 | 6.2 |
| Gain on bargain purchase of acquisition | **–** | 5.5 | 6.1 |
| Insurance proceeds (net of costs) on previously reported fraud event | **–** | 5.4 | 5.1 |
| | **(43.2)** | 13.3 | 13.5 |

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

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 will occur in due course.

Trinityhouse Palm Lakes and Trinityhouse North Riding will be closed at 31 December 2020. As a result, land and buildings are impaired by R11.1 million.

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.

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.

| R'm | Percentage increase | Unaudited 30 June 2020 | Unaudited 30 June 2019 | Audited 31 December 2019 |
|---|---|---|---|---|
| **4. Trade and other receivables** | | | | |
| Trade receivables | | **865.3** | 686.0 | 547.7 |
| Loss allowance | | **(437.3)** | (313.8) | (301.2) |
| | | **428.0** | 372.2 | 246.5 |
| Other receivables | | **62.9** | 70.8 | 79.7 |
| Trade and other receivables | | **490.9** | 443.0 | 326.2 |
| **Profit or loss impact** | | | | |
| Credit losses* | 122% | **164.6** | 74.3 | 135.8 |

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

## 5. Note to the condensed consolidated statement of cash flows

| R'm | Unaudited 6 months to 30 June 2020 | Unaudited 6 months to 30 June 2019 | Audited 12 months to 31 December 2019 |
|---|---|---|---|
| **Reconciliation of profit before taxation to cash generated from operations** | | | |
| Profit before taxation | **283.2** | 339.9 | 660.8 |
| Adjust for non-cash IFRS and other adjustments (before taxation) | **(3.7)** | (1.2) | 10.6 |
| | **279.5** | 338.7 | 671.4 |
| Adjustments: | **326.9** | 248.2 | 520.7 |
| Depreciation, amortisation and impairment | **201.8** | 152.8 | 304.5 |
| Net finance costs | **117.8** | 101.0 | 221.8 |
| Gain on bargain purchase of acquisition | **–** | (5.5) | (6.1) |
| Loss on sale of subsidiaries | **6.8** | – | – |
| Loss/(profit) on sale of property, plant and equipment | **0.5** | (0.1) | 0.5 |
| **Cash generated from operations** | **606.4** | 586.9 | 1 192.1 |

## 6. Business combinations

### 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 R333 000.

| R'm | Unaudited 6 months to 30 June 2020 |
|---|---|
| **Assets and liabilities disposed** | |
| Non-current assets | **(8.0)** |
| Current assets | **(3.2)** |
| Cash and cash equivalents | **0.5** |
| Current liabilities | **0.8** |
| Non-controlling interest | **3.4** |
| Loss on sale | **6.8** |
| | **0.3** |

## 7. Share information

| R'm | Percentage increase | Unaudited 6 months to 30 June 2020 | Unaudited 6 months to 30 June 2019 | Audited 12 months to 31 December 2019 |
|---|---|---|---|---|
| Number of shares in issue (million) | | **548.8** | 546.6 | 548.8 |
| Number of shares in issue net of treasury shares (million) | | **541.4** | 538.9 | 541.4 |
| Weighted average number of shares for purposes of basic earnings per share (million) | | **541.4** | 538.9 | 539.0 |
| Weighted average number of shares for purposes of diluted earnings per share (million) | | **541.4** | 538.9 | 539.0 |
| Net asset value per share including treasury shares (cents) | 12% | **670.5** | 597.6 | 623.2 |
| Net asset value per share net of treasury shares (cents) | 12% | **679.7** | 606.1 | 631.8 |
| Free operating cash flow before capex per share (cents) | 32% | **184.1** | 139.7 | 106.4 |
| Gross dividends per share (cents) | | **–** | 15.0 | 15.0 |

**SCHOOLS**

**TERTIARY**

**RESOURCING**

STUDIO 5