ADTECH GROUP

Annual Report 2013

We contribute to society through the provision of education, training, skills development and career placement services.

Schools

- Crawford Schools – Pre-Primary · Preparatory · College
- Trinity House – Pre-Primary • Preparatory • High
- Abbotts College – Senior High School
- Junior colleges

Tertiary

- The Independent Institute of Education (IIE)
  - Varsity College
  - Vega School of Brand Leadership
  - Rosebank College
  - the design school southern africa
  - The Business School at Varsity College
  - FLB
  - The Elezean Institute – Clarity through Simplicity

Resourcing

- Network Recruitment
- communicate
- Brent
- cassel&co
- Tech-Pro
- in source.ict
- Kapele
- inkokhel
- the working earth

our purpose

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

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

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

ADTECH GROUP

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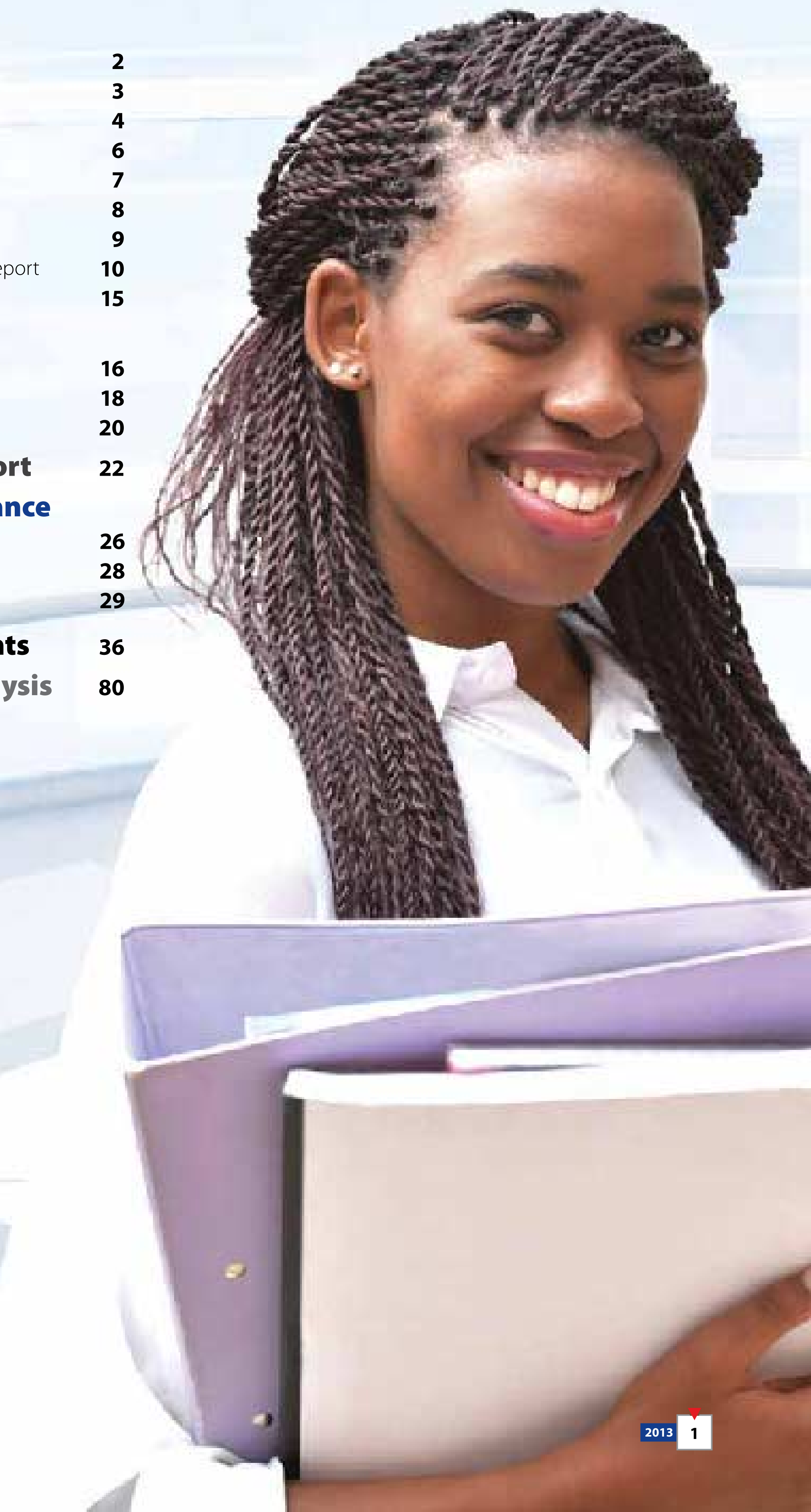


Group **overview**

Scope of operations in 2013

Number of students

2012	2013
46 700	42 200 ▼

Full-time students

2012	2013
32 700	33 400 ▲

Full-time tertiary students

2012	2013
19 900	20 200 ▲

Scholars

2012	2013
12 800	13 200 ▲

Matric candidates

2012	2013
1 301	1 344 ▲

Number of employees

2012	2013
4 037	3 942 ▼

Employees with Masters degrees

2012	2013
273	297 ▲

Employees with Doctorates

2012	2013
26	20 ▼

Job candidates placed

2012	2013
3 758	3 350 ▼

Staffing branches

2012	2013
21	21

Education sites

2012	2013
54	60 ▲

100% Matric pass rate

Total number of distinctions

2012	2013
2 840	2 954 ▲

Bachelor passes

Abbotts College

2012	2013
61%	66% ▲

CrawfordSchools™

2012	2013
96%	98% ▲

Trinityhouse

2012	2013
91%	98% ▲

Performance at a glance

for the year ended 31 December 2013

Revenue	**5% ▲**
Operating profit	**11% ▲**
Free operating cash flow per share	**9% ▲**
Headline earnings per share	**12% ▲**
Dividends per share for the year	**25.5 cents**

	Percentage change	**2013**	2012
Revenue (R'm)	5%	**1 766.3**	1 687.2
Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA) (R'm)	9%	**291.6**	267.6
Operating profit before interest and impairment (R'm)	11%	**221.7**	200.0
Profit before taxation (R'm)	11%	**224.7**	202.5
Shareholders' equity (R'm)	8%	**853.0**	793.1
Total assets (R'm)	22%	**1 632.7**	1 335.7
EBITDA margin (%)		**16.5**	15.9
Net asset value per share (cents)	8%	**202.5**	188.3
Free operating cash flow before capex per share (cents)	9%	**73.4**	67.4
Headline earnings per share (cents)	12%	**38.6**	34.6
Diluted headline earnings per share (cents)	12%	**38.6**	34.6
Gross dividends per share (cents)	6%	**25.5**	24.0
Number of employees (at year-end)	(2%)	**3 942**	4 037
Number of staff with Masters degrees	9%	**297**	273
Number of staff with Doctorates	(23%)	**20**	26
Number of full-time students	2%	**33 400**	32 700
Number of job candidates placed	(11%)	**3 350**	3 758
Matric exam results			
Number of Matric candidates	3%	**1 344**	1 301
Pass rate (%)	1%	**100**	99
Total number of distinctions	4%	**2 954**	2 840
Average distinctions per candidate		**2.2**	2.2
Capital expenditure (R'm)	44%	**334.5**	231.5
Corporate social investment and bursaries (R'm)	16%	**73.7**	63.6

Strategic objectives

	A resolute focus on quality	A dedicated, passionate team	Serving future generations
Strategic objectives	Our institutions receive no subsidy or support from any other source and are dependent on revenues earned from students and job candidates who choose ADvTECH brands based on the value and reputation they enjoy. The obvious and most important cornerstone of this value and reputation lies in the quality of the service we offer, which must always more than justify the fees we ask. An important feature of high quality is to have sound, scalable and relevant yardsticks. We go to immense lengths to measure, enhance and protect the quality of our offerings. Maintaining this focus on quality is a key priority.	Academic research and practical experience have demonstrated beyond argument that the key to consistent high quality service delivery lies in attracting, retaining and constantly developing well qualified, experienced and enthusiastic staff. Retaining this focus on being a "Great Place To Work For" is a key priority.	We believe that a key responsibility of management is to endeavour to ensure that ADvTECH thrives to serve many future generations of students and job seekers. This requires us to build strong and reputable brands while at the same time ensuring that we operate within our means. At a strategic level this includes thorough planning and the appropriate assigning of financial, physical, environmental and human resources. The idea of continuous growth and regeneration of resources is an important part of this notion, which requires continuous investment in our future. Management remains focused on this concept as a key priority.
Key initiatives	• Academic staff hold senior management positions and authority throughout ADvTECH, and ensure that academic excellence is prioritised and infused throughout the business. • Key performance areas for brands include qualitative and quantitative measures focused on achieving quality education. • Regular measurement and monitoring against quality benchmarks are undertaken and processes are implemented where improvements are required.	• Co-ordinated talent management initiative – ADvTALENT. • Participation in Employer of Choice programmes. • Regular evaluation and feedback with staff. • Regular measurement against recognised appropriate benchmarks.	• Evaluation of and focus on long-term investment horizon. • Continual investment in educational programmes, technology, equipment, infrastructure and human resources. • Ongoing enhancement of teaching and learning techniques. • Engagement with communities through outreach and citizenship initiatives and inculcating awareness among students about our host communities. • Monitoring our impact on the environment whilst also inculcating environmental awareness amongst students.
Progress	Three senior and well respected members of academia serve on the ADvTECH Board, one on the Executive Committee and several on various committees throughout the Group. The Group continues to benchmark and monitor its operations and results against both national and international standards with the aim of maintaining the highest standards. Consistent high quality outcomes in external examinations have given the Group widespread recognition as delivering education performance at a globally competitive standard.	The Group participates annually in the Deloitte *"Best Company To Work For"* survey and placed second in the large company category and was awarded the Deloitte Seal of Excellence for 2013 for the third consecutive year. The Group reviews the results of the survey and makes adjustments to its policies where appropriate. Employees have regular mandatory evaluation and feedback sessions with their direct line manager and are encouraged to build careers at ADvTECH.	Throughout the Group there are new degree and education programmes, learning projects and curricula development aimed at the continued enhancement of and investment in our service offering. The Group aims to be at the forefront of developments within the realms of technology and teaching. ADvTECH has invested in the communities it serves through increased involvement in various citizenship outreach programmes.

Access to our quality education	Investment and growth	Technology
We understand the role of quality education in improving the lives of South Africans. Our bursary, scholarship and financial support programmes provide thousands of deserving learners access to study at our institutions. At the same time, success in this area broadens and deepens the markets which we serve, which in turn helps to build the growth and sustainability of our Group. Widening access to our quality education continues to be a key priority.	The Group has built a formidable reputation and capacity in its chosen fields which remain areas of great need in our country and continent. Over the years we have steadily built a significant investment programme that will grow our footprint, capacity and client base.	The Group recognises fundamental changes in education and recruitment being brought about by technology. Significant human resources as well as capital and operating expenditure is being directed at ensuring that the Group keeps pace with these developments and seeks opportunities as they are created by technology.
• Constantly strive for increased student numbers by providing additional places for students. • Growth in the number of bursaries for deserving students. • Joint ventures formed with external funders to increase access for deserving students. • Innovative financing arrangements and pricing strategy developed to improve affordability.	• Research target markets, including in the rest of Africa. • Constant evaluation of opportunities for new investments. • Management is focused both on the efficient roll-out of this plan and the constant extension of its scope.	• Significant investment in new systems such as academic ERP, e-Recruitment, learning management system (LMS) and ADvTECH People Solution (APS). All of these make up a major infrastructure backbone in order to leverage technology in education and staffing. • Substantial investment in internal and outsourced human resources to develop, implement and support technology initiatives.
ADvTECH has invested a substantial amount of capital expenditure in building new schools, upgrading current campuses and improving the technological infrastructure of our institutions. The number of bursary beneficiaries has increased in comparison to the prior year. The Group has partnered with reputable institutions and SETAs to provide learnerships and internships to deserving students and job seekers.	Construction projects completed during 2013 included three schools – Trinityhouse Heritage Hill near Centurion, CrawfordSchools™ Italia in Bedfordview and Abbotts College in Centurion. Abbotts College Northcliff moved into a new purpose-built campus from rented premises. Additional facilities at Crawford North Coast Pre-Primary will be completed in early 2014. The Varsity College Durban North campus was expanded, and FLB was consolidated into the Varsity College Sandton campus.	In an effort to advance our technology-led education strategy, the Tertiary division introduced the learning management system (LMS). Following the Group's acquisition of 15% of Star Schools, a specialist and distinguished e-Learning group, a mutually beneficial partnership has been created between the two institutions that have complementary strengths and a shared vision of delivering excellence in education via technology. In addition, we have appointed two new Board members who have experience in the technology industry. The Group launched an advanced technology-driven HR and Payroll System called ADvTECH People Solution (APS) that will streamline and automate our HR processes. This will further enhance the human resources experience for our people at ADvTECH.

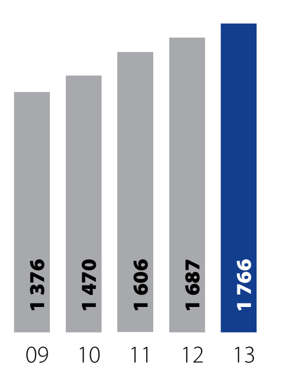
Group **overview**

Five year financial review

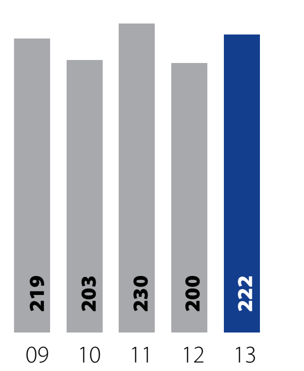
for the year ended 31 December 2013

	2013 R'm	2012 R'm	2011 R'm	2010 R'm	2009 R'm
Summarised statements of comprehensive income					
Revenue	**1 766.3**	1 687.2	1 605.6	1 470.1	1 376.0
Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA)	**291.6**	267.6	292.3	269.3	277.7
Depreciation and amortisation	**69.9**	67.6	62.3	66.4	58.8
Operating profit before interest and impairment	**221.7**	200.0	230.0	202.9	218.9
Impairment of tangible and intangible assets	**–**	(1.5)	(5.3)	–	–
Net interest received	**3.0**	4.0	10.8	9.2	10.9
Profit before taxation	**224.7**	202.5	235.5	212.1	229.8
Taxation	**69.0**	64.1	79.2	63.3	69.6
Total comprehensive income for the year	**155.7**	138.4	156.3	148.8	160.2
Headline earnings	**156.0**	139.1	161.8	148.6	160.3
Summarised statements of financial position					
Shareholders' equity	**853.0**	793.1	751.2	677.8	610.6
Interest bearing debt	**300.0**	136.1	70.7	–	–
Other current liabilities	**479.7**	406.5	333.1	306.8	318.1
	1 632.7	1 335.7	1 155.0	984.6	928.7
Non-current assets	**1 397.6**	1 131.8	975.7	852.6	787.9
Bank balances and cash	**97.6**	73.9	46.8	37.5	39.6
Other current assets	**137.5**	130.0	132.5	94.5	101.2
	1 632.7	1 335.7	1 155.0	984.6	928.7
Summarised cash flows					
Cash generated by operating activities	**363.1**	332.3	333.7	271.8	314.3
Net cash inflow from operating activities	**199.8**	186.4	134.4	118.7	169.6
Net cash outflow from investing activities	**(340.9)**	(230.4)	(187.2)	(122.3)	(155.3)
Net cash inflow/(outflow) from financing activities	**180.9**	125.7	(8.6)	1.5	(18.5)
Net increase/(decrease) in cash and cash equivalents	**39.8**	81.7	(61.4)	(2.1)	(4.2)

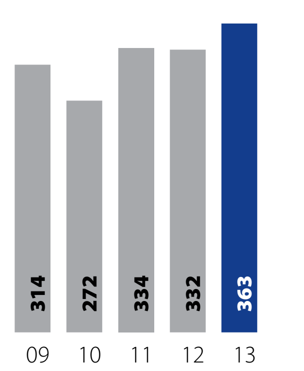
Revenue (R'm)



Operating profit (R'm)



Cash generated by operating activities (R'm)

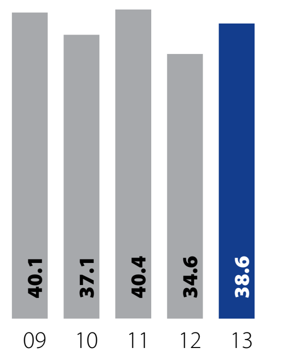


Ratios and statistics

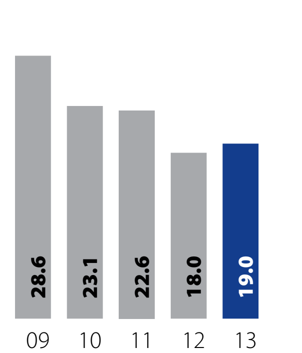
for the year ended 31 December 2013

	2013	2012	2011	2010	2009
Earnings and distribution					
Earnings per share (cents)	**38.5**	34.4	39.0	37.2	40.1
Headline earnings per share (cents)	**38.6**	34.6	40.4	37.2	40.1
Diluted headline earnings per share (cents)	**38.6**	34.6	40.4	37.1	40.1
Distributions to shareholders per share (cents)	**25.5**	24.0	26.0	21.5	21.0
Profitability					
EBITDA on revenue (%)	**16.5**	15.9	18.2	18.3	20.2
EBIT on revenue (%)	**12.6**	11.9	14.3	13.8	15.9
Operating profit on average shareholders' funds (%)	**26.9**	25.9	32.2	31.5	39.1
Headline earnings on average shareholders' funds (%)	**19.0**	18.0	22.6	23.1	28.6
Return on funds employed (%)	**35.6**	40.7	56.1	56.0	63.4
Productivity					
Payroll costs per R1 000 of revenue (Rand)	**509.9**	506.4	498.2	501.3	493.5
Revenue per average fixed assets (Rand)	**1.6**	1.9	2.1	2.2	2.3
Revenue per employee (R'000)	**448.1**	417.9	403.0	384.1	364.1
Revenue per square metre (Rand)	**6 859.4**	7 143.1	7 126.5	6 931.2	6 669.9
Finance					
Current assets to current liabilities	**0.3**	0.4	0.4	0.4	0.4
Operating cash flow per share (cents)	**47.4**	44.2	31.9	29.6	42.3
Capital expenditure (R'millions)	**334.5**	231.5	187.8	105.2	128.9
Free operating cash flow before capex per share (cents)	**73.4**	67.4	66.0	54.1	63.8
Net asset value per share (cents)	**202.5**	188.3	178.5	169.1	152.3
Debtors days as at 31 December	**23.0**	24.0	24.0	19.6	22.5
Net gearing ratio (%)	**23.7**	7.8	3.2	–	–
Other					
Total shares in issue (millions)	**421.3**	421.3	420.8	400.8	400.8
Weighted average number of shares in issue (millions)	**404.0**	402.3	400.8	399.9	399.4
Diluted weighted average number of shares in issue (millions)	**404.3**	402.5	400.8	400.2	399.7
Employee headcount at year-end	**3 942**	4 037	3 984	3 827	3 779
Total capacity occupied ('000 m^2)	**257.5**	236.2	225.3	212.1	206.3

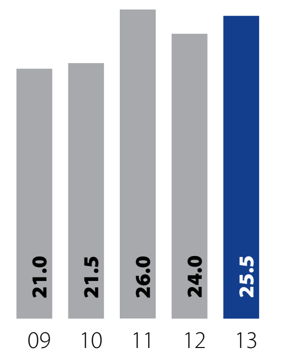
Diluted headline earnings per share (cents)



Headline earnings for the year on average shareholders' funds (%)



Distributions to shareholders (cents per share)



Chairman's letter

Dear Shareholder

In 2013 South Africa continued to experience economic and social challenges that have limited real GDP growth to around 2%, well below the level required to stimulate job creation. Consumer indebtedness continued to increase as families struggle to cope under trying conditions. The external environment, including a slowing in the commodity supercycle and firming monetary policy in the world economy, has added to the internal pressures by inhibiting exports and inward investment flows. The Rand has weakened as a result.

These difficult circumstances have done nothing to diminish aspirational demand for education and good jobs. Clear evidence of this is seen in growing demand for the Group's services amidst a general increase in the provision of education, especially in the private sector. There is also increasing awareness and commitment by South African employers to the provision, support and improvement of education without which the necessary skills simply will not be available.

Against this background the Group returned to earnings growth following a sterling performance from the Schools division and an exciting turnaround in the Tertiary division.

The Schools division contributed 46% and 71% of Group revenue and operating profit respectively and performed very well. School enrolments increased by 3% to 13 200 students at 37 schools. The Matric results were once again outstanding and the 1 344 Matric candidates achieved an 84% university exemption rate and 2 954 distinctions in total.

The Tertiary division contributed 43% and 22% of Group revenue and operating profit respectively. The number of full-time tertiary students increased by 1.5% in 2013, and indicated enrolments so far for 2014 are very encouraging. The Division maintained its level of academic excellence, both in regard to broad student progress and the outstanding results of top achievers, such as the 90% pass rate achieved in the CA board exam by the Varsity College candidates. Positive results of the restructuring process of the last 18 months are evident in the operating profit growth, and further improvement is expected.

The Resourcing division contributed 11% and 7% of Group revenue and operating profit respectively. The Division continued to experience difficult trading conditions throughout the year with both revenue and operating profit declining. However, positive cash flow and return on funds employed were achieved. The Division placed 3 350 candidates during the year, an 11% decline caused by the difficult environment.

These divisional contributions have culminated in earnings growth of 12% for the year. This improvement strengthens the Board's confidence in our strategic plans and has seen the approval of a further R400 million in capital projects. This forms part of the Group's continuing commitment to invest R3 billion over the next decade in the business which will lead to an increase in capacity of over 50%. Such is the strength of the Group's cash flow that we are confident that these investments can be financed out of existing cash flows supported by existing bridging finance arrangements where necessary. In addition to these commitments to the long-term growth and sustainability of the Group, I am pleased to be able to inform you of the increase in the dividend for this year to 25.5 cents compared to last year's 24 cents.

Our activities in basic and tertiary education as well as staffing have demonstrated their value to the South African economy over many years. This value flows not only from the fresh annual cohort of students who complete their education each year, but also the many thousands of alumni and graduates who are active in the economy. The benefits of our CSI and citizenship programmes which extend to 20% of earnings are twofold. They ensure that we remain aware of and committed to our responsibilities as part of the communities we serve and also to ensure that our students, who have the privilege of studying at one of our institutions, are also taught to be part of and to in turn serve their own communities.

We are starting to reap the benefits of our continuous investment in new education opportunities and keeping up with latest international trends in education. In 2013, we made significant progress in incorporating new technology in both the support and administration of what we do, and also in the fundamental teaching and learning processes themselves. These developments will help the Group reach new students and new markets with non-traditional modes of education.

Building on progress last year, this year's annual report will primarily be communicated electronically.

We continue to follow the guidance and requirements of the various regulatory bodies, including the JSE, The Companies Act and the King III Code. ADvTECH's annual report has been available online for a decade, and our website offers copies of the annual reports dating back to 2003, together with a range of supplementary and supporting information. Printed copies of our report will be available on request from the Company secretary at annualreport@advtech.co.za, for those who prefer hard copy documents.

Hymie Levin has indicated that he will not be seeking re-election at the upcoming AGM, having been a director since the listing of the Group in 1987. Hymie's contribution over 26 years has been remarkable and his wisdom and intellect will be missed.

At the end of last year, Frank Thompson announced his upcoming retirement after 12 years at the helm of the ADvTECH Group. In 2002, the Group was in a tough place. I have no doubt that the turnaround in the Group's fortunes, and the financial performance of the Group over this period, the strategic balance and growth of the Group's portfolio of schools and colleges and its highly capable management team are all a tribute to Frank's leadership and vision. I take this opportunity to express sincere and grateful thanks to Frank on behalf of the Board, management and stakeholders of ADvTECH for all that has been achieved on his watch.

At the Board meeting on 29 November 2013, Mteto Nyati and Stafford Masie were invited to join the Board. I am delighted that we were able to complete the formalities earlier this year and look forward to their insight and contribution, particularly on technology matters.

Finally, I cannot neglect to recognise the hard work and efforts of the management team and staff in 2013. Their individual and collective contributions to working towards our shared goals are much appreciated and I am particularly pleased that they have been so successful this year. Furthermore, I am deeply grateful for the contributions, support and advice provided by the Group's non-executive directors throughout the year and look forward to the challenges and opportunities of 2014.

Yours sincerely

Leslie Maasdorp
Chairman

Group values

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

Respect
Respecting each other as well as clients and candidates.

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

People centeredness
Sound education and placement depends on empowered and successful human interaction on a personal level. We seek to set an example to our learners, students and clients.

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

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

Values

Our Chief Executive Officer's report

Last year I reported on the changes in structure to enable the Group to focus more accurately on investments taking place in the Schools division and the way in which the Tertiary division is dealing with its particular challenges.

In the event the Schools division completed capital projects which provided 1 375 new places by the start of 2014 while at the same time building on the outstanding education outcomes delivered for its students. The Tertiary division completed significant restructuring and strategic repositioning. The most important feature in this has been the merger of College Campus into Rosebank College and a fresh approach to the value proposition of the brand. Simultaneously, the Division implemented programme and curriculum changes with strongly beneficial results for education outcomes and operations, particularly at Varsity College. Overall, it may be concluded that the restructuring has had a positive effect and this is already reflected in the financial results for the year. More importantly, it is clear that a strong foundation for growth in the next few years has been laid with forward visibility created by demand for places in the Schools division and the further elimination of the enrolment setback of 2012 in the Tertiary division.

The Group's returns remain well ahead of the cost of capital with the strong improvement in the Tertiary division offsetting the reduction in rate of return in Schools occasioned by the opening of new schools. This outcome justifies the Board's confidence in adding R400 million to the capital commitments this year.

The Group remains focused on academic excellence and leadership. In this regard, our students have continued to set a standard of excellence throughout the education spectrum as exemplified by their achievements in external examinations. These include not only Matric but a variety of other local and international testing, many of which are recognised as industry standard benchmarks. Our academic team also continue to develop and demonstrate their skills for the benefit of our own students and the education community as a whole. The Group's academic journal, The Independent Journal of Teaching and Learning, has been accredited as an independent peer review academic journal. Publication in the journal consequently now qualifies for formal recognition with ADvTECH being the first South African private institution to have its journal so accredited. Academic colleagues continue to serve in the formal regulatory structures of higher education, the higher education review process and the National Education Collaboration Trust. We have also continued to support the academic development of our colleagues on a broad front, ranging from teacher bursaries and internal staff training to support of doctoral and research studies.

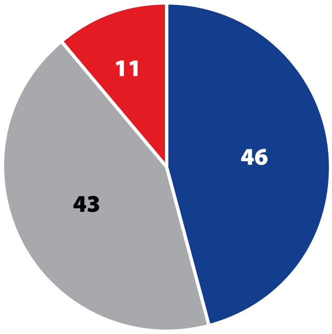
Schools

The Schools division consists of Abbotts College, CrawfordSchools™, Junior Colleges and Trinityhouse. These schools provide education from pre-school to Matric. In 2013, some 13 200 students attended our 37 schools.

We remain proud of the steady growth in the number of distinctions and those who qualified for university entrance as mentioned in the Chairman's letter.

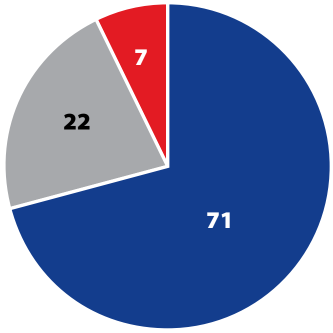
Revenue in the Schools division increased by 11%, with the increase above inflation driven by growing student numbers, particularly in the Trinityhouse brand. Operating profit grew by 6% as the Division incurred costs ahead of the

Divisional contribution to Group revenue (%)



- Schools
- Tertiary
- Resourcing

Divisional contribution to Group operating profit (%)



- Schools
- Tertiary
- Resourcing

opening of four new schools in January 2014. Without these additional costs, operating margins in the Schools division would have remained steady. The Schools division continues to experience increased demand at both established and newer sites, with waiting lists remaining a feature at sought after entry points.

Tertiary

The Tertiary division encompasses The Independent Institute of Education (IIE), a registered Private Higher Education Provider. Its tertiary brands, namely The Design School Southern Africa, Forbes Lever Baker, Rosebank College, Varsity College, The Elezean Institute, The IIE Business School @ Varsity College and Vega, served 20 200 full-time and 8 800 part-time and short learning programme students on its 23 sites in 2013. A Senate and various specialist advisory committees, together with a strong academic and operational team, provide academic governance, leadership and assure the quality of the offerings across the brands.

The number of full-time Tertiary students was up by 1.5% in 2013 and enrolments for 2014 appear very encouraging. Early indications from the Tertiary division are that first-year student enrolments are trending positively with particular success in some of the newly developed programmes.

The Graduate Employment Programme found jobs for 858 Rosebank College graduates in 2013 which represented a 59% increase in placements. Some 5% of students are enrolled from outside South Africa. In 2013 the Group heightened marketing and strategic operations in order to build presence and student enrolment from Africa as a whole. These include several promising partnerships.

The average module pass rate for full-time Tertiary students was 85% (2012: 86%). FLB students achieved a pleasing average module pass rate for BCompt and BCom of 69%.

The Tertiary division reported a revenue increase of 2%. This reflects the combined effects of the flow through into the second-year of study of the poor first-year intake in 2012, the rationalisation and restructuring projects of the last two years (student numbers in part-time and short courses being particularly affected), and effective efforts to rebuild the first-year class in 2013. Both Varsity College and Vega have sustained their solid and growing contribution through this period. Operating profit improved by 49% as efficiency and effectiveness started to improve as a result of these efforts.

Resourcing

The Resourcing division includes Brent Personnel, Cassel&Company, Communicate Personnel, Inkokheli HR Appointments, Insource.ICT, Network Recruitment, Tech-Pro Personnel and The Working Earth. The Division's major activities are in the fields of e-Recruitment, permanent staffing, recruitment advertising and advertising response handling.

Weak economic conditions in South Africa continue to have an adverse effect on placements in the Resourcing division, affecting both the volume and turnaround time of new placements. Under these circumstances, the Division reported a decline in revenue and operating profit, while maintaining positive cash flow and solid return on funds employed. Continued focus on our strong market positions in key niches and cost effective operations have stood the Division in good stead during this period.

Financial

Group revenue increased by 5% to R1.8 billion while operating profit increased 11% to R222 million at a margin of 12.6% (2012: 11.9%). Net interest earned declined with the increased use of cash generated and revolving credit facilities to finance the construction of new infrastructure. Headline earnings and basic earnings per share both increased by 12% to 38.6 cents and 38.5 cents respectively which compares to a 7% improvement at mid-year.

Free operating cash flow before capex per share grew by 9% to 73.4 cents (2012: 67.4 cents) which represents cash conversion of 1.9 times earnings. Tight control was maintained over capital creditors and debtors with the latter increasing by just 0.5% compared to revenue growth of 5%. A healthy increase in fees received in advance has been achieved, with an important driver being the new schools opening in 2014.

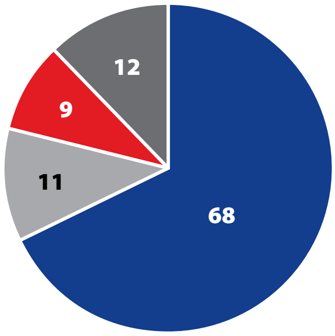
Effective cash management enabled the Group to fund a 44% increase in capex to R335 million, company taxation of R67 million (2012: R43 million) and dividends of R99 million (2012: R107 million). Net asset value per share increased by 8%, while net year-end gearing increased to 24% (2012: 8%) on the back of growing capital expenditure and investment.

Investments, finance and innovation

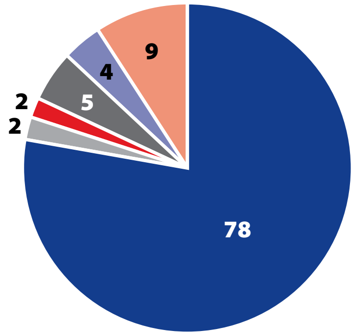
Capital commitments have increased to R1.2 billion (2012: R1.1 billion), which highlights the continued commitment to delivering on the long-term growth strategy. These commitments form part of the capital investment plan of R3 billion, which will increase capacity by about 53%.

Our Chief Executive Officer's Report *(continued)*

Investment programme
2011 – 2013 (%) (R859 million)
Infrastructural investments made



Capacity and year
of development 2013 (%)



Four new schools opened their doors in January 2014, namely Crawford Italia, Trinityhouse Heritage Hill and Abbotts Colleges in Northcliff (relocated from rented site) and Centurion. Also in January, the acquisition of a pre-primary school, Snuggles, was announced.

Enrolments at all five sites have been satisfactory and in aggregate exceed the targets of our investment feasibility studies. Trinityhouse Palm Lakes continued its anticipated slower growth whereas Trinityhouse Little Falls, now in its third year of operation, has entered a rapid growth phase and continues to exceed expectations. We anticipate that the cost of opening these and other planned new schools will have a short-term dampening effect on the margins of the Schools division which will be followed by margin improvement as they enter the rapid growth phase.

By streamlining our operations in 2013, we were able to maintain lower student to lecturer ratios than those of public universities, whilst effectively managing costs of operation and maintaining quality. We continue to achieve an optimal balance in the Tertiary division between individual attention for each student and operational efficiencies, which is evidenced by both academic outcomes and financial results.

The main elements of the restructuring during 2013 were:

- the merger of Rosebank College and College Campus because of similarities in target markets and overlaps in course offerings;
- the relocation of FLB Randburg Campus to Varsity College Sandton, thereby bringing FLB closer to the heart of the commercial and financial district of South Africa; and
- the closure of Corporate College International due to the brand being adversely affected by government policy and legislative changes.

In 2013, we opened the Durban campus of The Design School Southern Africa (DSSA) to add to our existing campuses in Pretoria and Johannesburg. Several DSSA third-year students were employed by Mr Price, the brand's largest corporate client.

Progress is being made in technology-led education and recruitment, where capital and operating expenditure of some R500 million has been deployed in the last five years. Results to date include much improved data-centre, communication, connection and tech-in-teaching capacity, implementation of an education ERP (SAM) and the roll-out of the first e-learning programmes. Projects in progress include implementation of a learner management system, significant growth in both blended and e-learning programmes, a human resources management system, and a technology platform for e-Recruitment. The Group also acquired a 15% interest in the Star Schools Group and has entered technology partnerships with several key global vendors.

To fund these expenditures, effective use was made of the Group's revolving credit facility in the latter part of the year. However, in line with the seasonal cash flow pattern, we were once again in a net cash position at date of reporting.

The acquisition of a learning management system (LMS) is enabling us to offer more distance and online qualification options to tertiary students. The System for Academic Management (SAM) has now been successfully implemented across all the Tertiary brands, improving data capturing efficiency and lowering academic and financial queries from students.

The implementation of the ADvTECH People Solution (APS) system was approved in May 2013. It is an advanced IT-driven HR and Payroll System and is being phased in over the next two years as a holistic and automated approach to human resource management. It provides information on the payroll, leave, employee development and performance management, and will simplify ADvTECH's legal compliance and security while allowing staff to check their personal information.

We continue to actively pursue partnerships, both internationally with institutions such as the Open University (OU), and locally with the University of the Free State (UFS) and professional associations, including the Marketing Association of South Africa (MA(SA)), Public Relations Institute of South Africa (PRISA) and Chartered Institute of Management Accountants (CIMA). In 2013, we established a joint venture with the UFS for the provision of the four-year LLB programme at Varsity College.

Our physical development programme was introduced in 2013, correlating physical exercise programmes with learning gaps in early childhood, and our work with the Institute of Neuro-Physiological Psychology to improve concentration and cognitive ability for children with learning difficulties continues to inform the development of our early learning programmes.

Staff

Research and experience has demonstrated consistently that the quality of education delivery lies in attracting, retaining and constantly developing well qualified, experienced and enthusiastic staff.

To identify, harness and retain talent across the Group, ADvTALENT was initiated in 2011 to systematically close the gap between the talent we need for our growth and the talent we have.

We would like to acknowledge the experience of our staff who received long service awards in 2013 for serving ten years (89), 15 years (60), and 20 years (17). One staff member, Nozingile Tebe of Abbotts College Claremont, received a 30 year award.

We continue to invest in our teachers, with 186 training and development events occurring in 2013. The R9.3 million spend on skills expenditure across the Group in 2013 is a 37% increase on the spend in 2012. Of the 3 942 (2012: 4 037) employees across the Group, 2 600 are permanent staff. The 2% reduction in total employees is attributed to the Rosebank College and Campus College merger. Our staff turnover for the Education divisions was 14% in 2013. Resourcing experienced a higher staff turnover ordinarily associated with the staffing sector.

Our Mentoring Programme is designed to develop leaders, retain diverse and skilled employees, and enhance succession planning while accounting for ADvTECH's structural changes. ADvTECH trained 64 mentors in 2013 bringing to 138 the total number of mentors. 98 Staff members were mentored in pairings with formal and structured support. The Management Development Programmes are aimed at developing current and future management and 55 employees were invited to enter in these programmes in 2013. The purpose of the MDP is to acknowledge individuals already holding management positions as future leadership and equip them with the necessary skills for advancement into senior management positions within the Group.

We have participated in the Deloitte *"Best Company to Work For"* assessment for the past seven years, which provides insight on our employees' perceptions and satisfaction with ADvTECH as an employer. We achieved the Standard of Excellence Achiever seal for the third consecutive year, ranking second in the large company category. This achievement has assisted us in becoming an employer of choice.

Transformation

Over two thirds of students educated and candidates placed in jobs are black. The Group made some progress in growing its black staff complement, which has reached 42%.

The Group awarded 5 900 bursaries to the value of R72 million in 2013, a 21% increase over 2012. This includes 54 teacher education bursaries. ADvTECH has been a constituent of the JSE Socially Responsible Investment Index for the past seven years.

Litigation

Legal proceedings against Marina and Andry Welihockyj remain in process and are moving steadily towards trial. The Group's legal counsel remains satisfied with the merits of the claims in this matter and that, save for legal costs, the Group has no further exposure.

Prospects

2014 will be the first full year of operation after completion of the Tertiary division restructuring and early signs in regard to student enrolments and improved campus operations are encouraging. Increased demand for places in the Schools division fully justifies the launch of new sites, although margins will be constrained in the short-term. The Resourcing division will maintain its resolute focus on key niche markets and efficient operation. This will enable it to maintain market position and take advantage of any upturn in the staffing markets.

In the last year, the Board of directors approved an additional R400 million of capital commitments which now total R1.2 billion. The Group has entered a new phase of growth. This is enhanced by the benefits of investment in new infrastructure and technology, the heightened marketing programme in Africa and the restructuring of the Tertiary division. Both Schools and Tertiary divisions are reporting positive trends in enrolments and this augurs well for the further investment of R3 billion in the creation of new education places in both real and virtual learning environments.

Appreciation

I wish to thank our Chairman and Board members for their consistent input and commitment during the year and throughout my tenure as CEO. The Group is well positioned, having maintained excellent academic results and returned to earnings growth despite tough economic conditions in recent years. I wish to express my sincere thanks and appreciation for all their hard work, commitment and loyalty to my colleagues, staff, contractors, consultants and associates for another year of excellent performance.

FR Thompson
Chief Executive Officer

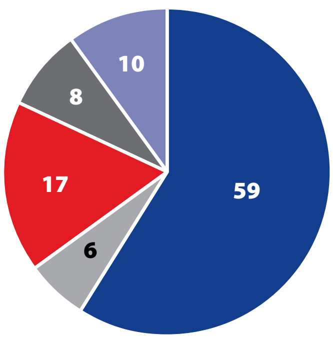
Group **overview**

Value added statement

for the year ended 31 December 2013

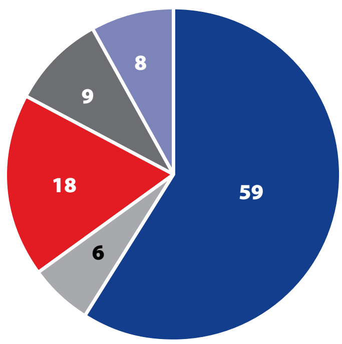
	2013 R'm	2012 R'm
Value added		
Revenue	**1 766.3**	1 687.2
Interest received	**6.1**	7.8
Cost of providing services	**(502.5)**	(488.7)
	1 269.9	1 206.3
Value distribution		
Employees		
Net benefits paid to employees	**756.6**	713.2
Social responsibility		
Corporate social investment and bursaries	**73.7**	63.6
Government	**211.5**	219.8
Government taxes	**69.6**	65.7
Net VAT (received)/paid	**(2.1)**	12.9
PAYE	**144.0**	141.2
Providers of capital	**102.7**	111.2
Finance costs	**3.1**	3.8
Distributions to shareholders	**99.6**	107.4
Reinvested in the Group		
Retained to sustain and grow the Group	**125.4**	98.5
	1 269.9	1 206.3

Value distribution (%)
2013



- Employees
- Social responsibility
- Government
- Providers of capital
- Reinvested in the Group

Value distribution (%)
2012





Schools division

The Division's focus is to provide quality private pre-primary, primary and secondary education. Our aim is to develop our students into well rounded individuals who are able to progress seamlessly into tertiary education and who will thrive in their future endeavours.

The divisional **staff turnover** has been less than **10%** in the last three years.

Our schools have achieved a **100% Matric pass rate**, with **84%** of students qualifying for **entrance to bachelor** studies at Higher Education institutions. Research conducted at South African universities shows that our Matriculants are amongst the most successful students.

Alumni statistics show that **98% of our students are employed.**

We operate through four brands: CrawfordSchools™, Trinityhouse, Abbotts College and Junior Colleges, which not only serve local markets but also attract students from Africa and abroad. The number of students enrolled in 2013 was 13 200.

Due to an increase in the demand for private education, the Schools division has seen steady growth over the past few years, and it now contributes 46% of the Group's revenue. This demand has resulted in the development of the current growth strategy and the majority of the Group's capital expansion projects of some R3 billion, which will increase capacity to around 25 000 students over the next six years.

Among the factors which we are taking into account is the challenge faced by parents because of a weak local economy, coupled (in some instances) with high personal debt and increasing interest rates. ADvTECH is therefore exploring options to offer a wider diversity of school choices to parents.

"We are responding to the growing demand for quality private education in the country and our aim is to increase capacity across all phases, from nursery school to matric, to meet this need."
– *Alex Isaakidis, COO of Schools division.*

Our schools are renowned for their academic excellence and again this year our students achieved outstanding results.

The steady growth in the number of distinctions in the Matriculation examination is a positive and independent indicator that we offer education of the highest quality. 2013 highlights across the Schools division were:

- **One** candidate achieved **11** distinctions
- **Six** candidates achieved **ten** distinctions
- **25** candidates achieved **nine** distinctions
- **37** candidates achieved **eight** distinctions
- **41** candidates achieved **seven** distinctions

In addition to these impressive individual results, our students across the three Group brands achieved the following subject averages:

English	**67%**
Mathematics	**63%**
Physical Science	**63%**
Accountancy	**72%**
Visual Arts	**78%**

In order to benchmark our academic standards in other ways, our Crawford Matric students write a special preliminary examination which is moderated by the Victoria Curriculum Assessment Authority (VCAA). These are moderated in Australia to provide an international benchmark of attainment and competence for our students. This process not only provides the candidates with additional confidence when writing the Matric exams but also provides them with a supporting qualification for application to international universities.

Some pupils at primary school level participate in a number of national and international Olympiads and competitions, in particular the International Maths and Science Olympiad (IMSO). In 2013, 14 of our pupils won medals at the IMSO held in the Philippines, an impressive result considering that many competing countries select candidates from their entire school population, while we only draw candidates from our own schools and a limited number from some public schools with whom we partner.

Continuous infrastructure and ongoing teacher development, as well as technological innovation and impressive financial growth, bode well for the Division's long-term future success.

Delivering on our strategic objectives

Crawford Italia

Investment and growth

In the planned new schools and expansion projects we seek to implement new school designs and layouts that are optimal from both an educational and energy efficiency perspective. Classroom and school architectural designs are based on research into the most productive and creative educational environments, whilst making innovative use of floor space and maximising natural light and airflow. Design is also aimed at ensuring long-term functionality with low maintenance throughout the life of the buildings.

Construction projects completed during 2013 included three new greenfield campuses – Trinityhouse Heritage Hill near Centurion, CrawfordSchools™ Italia in Bedfordview and Abbotts College in Centurion. A further project was the relocation of Abbotts College Northcliff to a new purpose-built campus. Additional facilities at CrawfordSchools™ North Coast Pre-Primary will be completed in early 2014.

We have a number of new school sites in the pipeline but we are constrained by the long lead times required to obtain regulatory approval for commencement of new building projects. However, as these approvals are obtained, we will continue with the planned roll-out of our new schools. As at 31 December 2013, ADvTECH had 37 school sites across South Africa.

Investing in our teaching staff

Each of our brands has a distinct and different ethos which makes them appeal to different parent groups. It is through the staff and especially the principals, that a school has its own personality and attracts a parent or student. Our staff members are undoubtedly our greatest assets. Skills training and development and encouraging innovative and creative teaching practices are priorities in the Division. We organised 186 teacher training and development conferences in 2013 to improve the skills of our teachers and enhance the learning experience for the students. At one of our Mathematics Conferences, we had 104 of our Maths teachers attending, a remarkable gathering of Mathematics experts.

The role of the Academics Department

The Academics Department in the Schools division has a number of core responsibilities. These include quality management of all academic processes, training and development of teachers, as well as research and implementation of current trends in teaching and learning.

Our focus on quality academic management includes the running of assessments such as the SIAT assessments, written by all students in Grades 4, 6, 8 and 10 in Mathematics and English, and the VCAA Assessment with Crawford Grade 12 students. These assessments are conducted with different partners in Australia. In addition, we work in both the National Senior Certificate and IEB environments in our schools and constantly review the offerings of both.

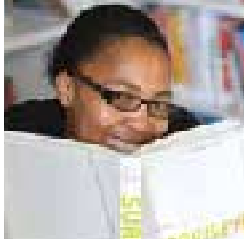
In Training and Development we acknowledge the unique opportunities of having so many experienced teachers; we hold a number of conferences every year to bring our teachers together to share their thinking and teaching experiences. In 2013, we hosted Afrikaans, Mathematics and Sports Management conferences.

The opportunity to stay at the forefront of teaching and learning is very exciting. Best practice in countries around the world is investigated, trialled and shared with our schools.

Another project has been the writing and implementation of our own physical development programme.

Our most innovative thinkers are our teachers and we strive to nurture their creativity through our "Dreamflight" project. We seek out the most innovative approaches in our schools, offer financial assistance in developing these and then share this thinking with colleagues. Many of our teachers have attended training in the last year in P4C (Philosophy for Children) and in the Thinking Schools programme. Leading schools, both nationally and internationally, are constantly reviewing how students learn, and these two programmes offer critical guidelines to our teachers. They teach us that once children understand how to question effectively, their learning progresses exponentially.

These, and other projects, are examples of ways in which we lead schools in the 21st Century. Our current work in the field of ICT offers further innovation based on sound research and carefully measured implementation enabling our students to learn more effectively through tablets and computers.

Tertiary division

The Tertiary division consists of 23 sites across South Africa, under the brands: Rosebank College, The Design School Southern Africa (DSSA), Varsity College incorporating Forbes Lever Baker (FLB), The IIE Business School @ Varsity College, The Elezean Institute and Vega.

All our Tertiary campuses are the registered sites of delivery of The Independent Institute of Education (IIE) which is registered with the Department of Higher Education and Training (DHET) as a private higher education provider. The IIE Central Academic Team is responsible for governance, regulation, quality assurance and academic leadership. This means that every qualification we offer has been through the formal accreditation process. The IIE focuses on offering an education with industry recognised and supported curricula using teaching methodologies aimed at boosting student success.

Varsity College and Vega performed well and their sustained positive growth is noteworthy. Both brands expanded their efforts, improved technology led education and continued with positive student experiences. Please read more on our website www.advtech.co.za.

This year has seen a number of innovations and restructures, resulting in the consolidation and improved profitability of the Divisions.

The merger of Rosebank College and College Campus was due to their focus on similar target markets and an overlap of course offerings. This was a significant undertaking and early evidence suggests that the market is responding favourably. This rationalisation has resulted in economies of scale allowing Rosebank College to reposition itself with the key values of affordability, quality and employment.

In response to the high demand for degree qualifications by students and their future employers, more degree programmes are being planned at all brands and these developments will be supported with appropriate "bridging" or "pathway" programmes in the form of Higher Certificates. ADvTECH aims to serve future generations of scholars, students and job seekers. The Higher Certificates provide opportunities to scholars and students to bridge previous difficulties, enabling them to increase their options to gain degree access.

Rosebank College strives to ensure that its IIE graduates are employable and great success has been achieved through the Graduate Employment programme.

The Graduate Employment programme found jobs for 858 Rosebank College graduates in 2013 which resulted in a 59% increase in placements.

It is pleasing to report that this repositioning, together with a revitalised marketing campaign, is already showing a positive response. Please read more on our website www.advtech.co.za.

Of particular note is the acquisition of a learning management system (LMS) which is enabling us to offer more distance and online qualification options to students in an innovative way and access to new markets. This technology enables new methods of delivery and has the advantage of enhancing the quality of the classroom experience for contact students who benefit from the blended and independent learning opportunities provided.

Together with the System for Academic Management (SAM) which has now been successfully implemented across the Tertiary brands, this contributes positively to the Group's focus on quality education presented in an innovative manner.

There was also the closure of Corporate College International (CCI) due to the brand being adversely affected by government policy and legislative changes that have impacted on the SETA and FET environment. Unlike the other Tertiary brands, CCI was dedicated to the SETA and FET market and, given the changes and the competitive landscape, it was decided that this market no longer offered viable opportunities.

Forbes Lever Baker (FLB) remains a separate brand but the relocation to Varsity College Sandton leverages operational efficiency. Another notable addition to the education and training opportunities we offer is The IIE Business School @ Varsity College which will be offering IIE qualifications from 2014.

This streamlining of our operations enables us to maintain favourable student to lecturer ratios on campuses fully equipped to offer a high quality learning experience for our students which includes all required elements of student support.

Our highly qualified and skilled lecturers play a vital role in bringing practical expertise to the learning environment. To augment their skills and enrich our staff, the Tertiary division held 30 lecturer training and development seminars in 2013.

A total of 29 000 students studied through the IIE in 2013: of this number, 20 200 were full-time students. A decrease in enrolments for short learning programmes and an increase in part-time external programmes was in line with the changes in the market and the economic stress experienced by consumers. These factors resulted in the new strategies in this area such as the launch of The IIE Business School @ Varsity College and refocused attention on the offerings at the other brands. Initial 2014 indications are that these strategic redirections are delivering the expected results.

The Division attended to the gap between the aspirational demand for our education and what some consumers are able to afford without assistance by introducing additional financing options through partners.

Increased demand and ongoing attention to the development of the quality of our learning environment resulted in the commencement of several campus upgrades, including Varsity College in Durban North and the relocation of campuses such as Rosebank College Pretoria to improved premises.

Delivering on our strategic objectives

Investment and growth

Efficient space utilisation is essential to the Group's productivity and ultimate profitability and is therefore continuously evaluated taking into account the particular needs of students, optimal occupancy over a 24-hour cycle and environmental issues. This initiative has resulted in more optimal use of space on many campuses enabling an increase in capacity without the addition of significant floor space on those campuses.

The strategy remains to rent premises during the early years of operation to heighten the cost effectiveness of operating new campuses and to reduce risk.

A unified regulatory system

A strength of the South African Higher Education system is that there is only one regulatory and quality assurance system for public and private providers. This means that the qualifications we offer have the same status for employment and articulation purposes as those of any public university.

The same quality assurance standards are applied to all the qualifications we offer to both distance and contact students, including the tuition support services for our partner institutions and our own short courses and workshops.

Since the IIE is in a strong and stable regulatory space with regards to accreditation and registration, it is now giving increasing attention to other forms of recognition of its qualifications. It is actively pursuing partnerships, both internationally with institutions such as the Open University (OU), and locally with the University of the Free State (UFS) and professional associations, including the Marketing Association of South Africa (MA(SA)), PRISA and CIMA, from whom endorsement has been or is being obtained.

The Independent Institute of Education (IIE)

The Independent Institute of Education is South Africa's leading registered private higher education institute offering more than 70 registered and accredited qualifications, from Higher Certificate to Masters level, through our educational brands.

During 2013 a successful pilot distance offering of two programmes (the undergraduate BBA and the Postgraduate Diploma in Higher Education) justified the purchase of the learning management system and, with increased expertise across the brands, allows us to offer students a more technologically blended learning experience. This has set the stage for more focused development in these areas, such as distance learning using technology and also in the improved offering of technologically supported contact education. For more information see www.advtech.co.za.



Resourcing division

The core business of the Resourcing division is to place the most appropriate candidate in the right position. In order to meet client needs nationally, the Division incorporates major brands which focus on specialised sectors, namely financial, IT, engineering, human resources, logistics and supply chain.

Each brand has become dominant in its niche field, largely owing to good relationships with employers and the service delivery of experienced, first-rate placement consultants. This ensures client needs are met timeously.

The Resourcing division has addressed opportunities in the marketplace with increased use of technology and by expanding its internet access. For example, The Working Earth has taken a major step into e-Recruitment. The Working Earth forms part of Kapele Appointments, together with Inkokheli HR Appointments. Jobs-On-The-Internet or JONTi is the tool formulated as its e-Recruitment solution.

In 2013, the Resourcing division placed 3 350 people in permanent and contract positions, despite the prevailing weak economic conditions.

Proposed regulatory changes have the potential to change the recruitment industry's way of doing business with regards to labour brokers. The proposed regulations as set out in the Labour Relations Amendment Bill, if promulgated, will have an impact on employment and the resourcing market. ADvTECH's Resourcing division, however, will be buffered to some extent because of its focus on niche areas and because most placements are for permanent positions.

It is vital the Division keeps its competitive edge. Each of the brands has profound industry expertise and is able to offer candidates and clients specific advice on market trends and opportunities. The Division has a dynamic database of over 283 000 candidates, which provides a sound basis from which to guide and assist prospective employers. The brands will interact when necessary to present a collective solution to clients who have a variety of vacancies across various disciplines. This "one stop shop" solution is useful to clients with regular recruitment requirements.

Advancing technology continuously presents new solutions to the industry. The Division encourages its staff to identify those solutions that will improve productivity. Cassel&Company (Cassel&Co), the financial and accounting brand, for instance, launched its Sourcing Solutions division which allows the brand to access larger clients. An alliance was formed with South African Institute of Professional Accountants (SAIPA) and in partnership with SAIPA, Cassel&Co released research results regarding the finance space, using a salary and employment environment platform.

The Division and brands are accredited members of the Association of Personnel Services Organisation (APSO), the Institute of Personnel Consultants (IPSC), the Confederation of Associations in the Private Employment Sector (CAPES) and the Information Technology Association (ITA).

Staff retention and development within the Division remains a priority. Consultant remuneration is continuously evaluated and revised in order to retain the best staff.

The consistent quality of the Division's training programmes is recognised by the industry. Training topics include Business Development, Client Relations Management and Time Management. In addition, one-on-one training is offered to identify any gaps in a consultant's knowledge and assess further training needs.

We also provide opportunities to expose the Division's consultants to new developments and industry innovations in other parts of the world. The 2013 annual American recruitment (NAPS) conference in Las Vegas provided us with valuable learnings and Resourcing is planning to continue sending a delegate annually.

The Resourcing division Board is now racially representative and, together with input from the ADvTECH Group CEO and Group FD who are also members of the Board, operates relatively independently.

Brent Personnel

Brent Personnel, established in 1978, sources and places specialist candidates in the fields of finance and executive professionals.

Highly trained consultants conduct in-depth interviews on all candidates, where their skills and experience are confirmed through competency based questioning techniques. Candidates are also tested for computer literacy, speed and accuracy, and various financial disciplines, thereby ensuring that the most qualified candidates are referred.

Cassel&Company

Cassel&Co specialises in the disciplines of finance and accounting. The brand has intimate knowledge of the entry and movement of talent in these arenas and we make it our business to find the right talent for the client's business.

Communicate Personnel

Communicate Personnel is one of the longest established recruitment brands in South Africa, with ten delivery sites nationwide. The brand offers innovative solutions for a wide variety of recruitment assignments in the IT, Finance, Engineering and Supply Chain/ Freight industries.

Insource.ICT

Insource.ICT incorporating IT.edge, is a leading ICT (Information and Communication Technology) recruitment brand, with separate permanent, contracting and specialist ICT divisions. The Permanent division places only permanent staff, across all areas of ICT. The Specialist ICT division focuses on ICT recruitment in niche areas, including the software development lifecycle, Java developers, business analysts, architects, project managers, ERP and telecommunications.

Insource.ICT has an established actively managed database of ICT candidates and is able to place ICT staff throughout South Africa.

Network Recruitment

Network Recruitment has three separate independent brands, namely Network Engineering Recruitment, Network IT Recruitment and Network Finance Recruitment.

Also offered is a Candidate Mentoring Programme which offers support to new candidates and clients during the crucial first three months of a new position.

Tech-Pro Personnel

This brand has since its formation in 1997 played an active role in the development of the Supply Chain Management discipline within the South African market. In a world of ever increasing international competition, the brand has developed ties with international recruitment firms and is thus able to access intellectual capital globally.

Kapele Appointments (Pty) Ltd

Kapele Appointments (Pty) Ltd, established in 2002, is a BEE company within ADvTECH's Resourcing division, providing contingency recruitment, advertising, response and e-Recruitment solutions within the public and private sectors. Kapele Appointments is a strongly empowered staffing business. 30% equity ownership is held in trust by management and staff of Kapele Appointments and 70% is held by ADvTECH Resourcing (Pty) Ltd. Kapele Appointments has been rated as an SMME, and certified as a Level 1, AAA+ rated Black Empowered Entity by Empowerdex.

Inkokheli HR Appointments

Inkokheli HR Appointments is the only brand in South Africa to focus solely on the recruitment and placement of human resource professionals. 'Inkokheli' is a Xhosa word meaning leader, chosen in view of the specialist role the brand has taken in building solid relationships with leaders in the human resources arena.

The Working Earth

The Working Earth was established in 2000. Areas of expertise cover recruitment advertising, response handling and e-Recruitment, the latter a self-administered, web-based application process incorporating a screening assessment exercise. The Working Earth is South Africa's only recruitment advertising specialist that links advertising to electronic response handling using the power of the Internet.

Executive summary

Education is a trust business. Our business is the enriching of human capacity. To realise this, we continuously invest in human capital and experience with the intention of developing a sustainable business.

The key stakeholders on whom we depend for our success, and to whom we report our material issues, include investors, staff, students and their parents, employers, Alumni, staffing candidates and clients, our communities and our regulators. Our strategy remains to deliver excellent academic results through investing in our staff, to generate superior financial returns for our shareholders, and to offer a variety of educational options to parents and students.

By streamlining our operations in 2013, we were able to maintain lower student to lecturer ratios than those of public universities while reducing costs of operation. Hence, we believe we continue to achieve an optimal balance between individual attention for each student and operational efficiencies. Cost reductions were achieved through consolidation of some of our tertiary brands.

We have adjusted our school classroom design to achieve the most effective learning environment, making maximum use of natural light thus reducing the need for lighting and heating thereby reducing electricity costs.

ADvTECH's success relies on the input and participation of all its stakeholders. As such, we engage continuously with a broad range of stakeholders with the aim of solidifying relationships throughout the Group. The methods of communication have evolved over time with technology developments. Some examples of the primary channels that we use to engage with our stakeholders follow:

Investors

- Regular results presentations
- ADvTECH annual and financial reports
- Roadshows
- JSE announcements and functions
- Media releases
- *Ad hoc* engagements and individual meetings with investors and analysts
- Investor site visits

Employee communication

- ADvNET – the Group intranet - was redesigned and has united the Group as colleagues across brands and sites are able to communicate and connect with each other
- ADvTALK – an internal staff publication
- Internal newsletters at select sites
- Regular health and wellness programmes
- Cultural events to celebrate staff diversity
- Awards functions
- Annual business breakfast for senior staff
- Surveys

Students and parents

- Parent functions and meetings
- Opening addresses by principals and key stakeholders
- Continuous assessment and feedback on student progress
- Newsletters and magazines
- Regular functions and events
- Information technology platforms
- Student support teams and school counsellors

Recruitment candidates and clients

- Regular face-to-face consultations and interviews
- Electronic newsletters
- Salary survey reports
- Informative seminars

Alumni

- Increased work placement surveys
- Electronic newsletters
- Fellowships
- Graduate and alumni surveys

Community and environment

- Environmental awareness education
- Initiating or participating in various greening initiatives
- Conservation and clean-up projects

Education and resourcing regulatory

- Representation on the Higher Education Quality Committee (HEQC) Board and Institutional Audits Committee
- Founder and a member of the Private Higher Education Institution Group (PHEIG)
- Member of the Association of Personnel Service Organisations (APSO)
- Member of the Institute for Personnel Service Consultants (IPSC)
- Member of the Confederation of Associations in the Private Employment Sector (CAPES)
- Founder of The Independent Journal of Teaching and Learning

Our success depends on our ability to relate to the environment within which we operate. Inherent in this reality is the need to socially and economically transform our society through the provision of quality education, training and recruitment services to improve the lives of South Africans.

Our ability to attract and retain skills is key to our success, and we take pride in our highly skilled workforce. Of the 3 942 (2012: 4 037) employees across the Group, 2 600 are permanent staff. The 2% reduction in total employees is to a degree attributed to the Rosebank College and Campus College consolidation.

Our staff complement is 70% female. We employ eight people with disabilities. We also employ 994 teachers and 1 178 lecturers. 49% of total staff have a tertiary education, including 20 Doctorates, 297 Masters degrees, 530 Honours and 1 102 Bachelors degrees.

Given the global "war for talent", we aim to be the preferred company to work for. To understand and be able to act on our staff's Employee Value Proposition, we have participated in the Deloitte "*Best Company to Work For*" assessment for the past seven years. This provides insight to our employees' perceptions and satisfaction with ADvTECH as an employer. We were ranked second in the large company category and again achieved the Standard of Excellence Achiever seal for the third consecutive year. Overall, ADvTECH achieved high scores in the dimensions of Sense of Confidence, Operational Effectiveness, Manager/Supervisor relationships, Ethics and Integrity and Job Satisfaction. Each division actively improves their low scoring dimensions. For example, Resourcing successfully introduced open quarterly communication forums in 2013 to address their low score for "communication" in 2012.

In 2013, we recognised staff with a total of 403 long service awards, 89 of whom have been with the Group for ten years, 60 who have served 15 years and 17 who have served 20 years. One staff member, Nozingile Tebe, of Abbotts College Claremont, received a 30 year award. Staff turnover for the Education divisions was 14% in 2013. Of note is the low 8.9% turnover in the Schools division, which has remained below 10% for three consecutive years, ensuring consistency in teaching and increasing teacher experience. Turnover in the IIE academic team reduced due to adjustments to management structures and working conditions such as increased work-from-home provisions.

To maintain an engaged workforce, we have developed a range of tools to develop employees to their full potential, including Mentoring, Performance Management, the Management Development Programme (MDP) and the Leadership Development Programme (LDP). The R9.3 million spent on skills across the Group in 2013 is a 37% increase on the spend in 2012. The on-the-job skills training has seen more interns become permanent employees in our business.

To identify, harness and retain talent across the Group, ADvTALENT was initiated in 2011 as a structured approach to Talent Management. Through ADvTALENT we can systematically close the gap between the talent we have and the talent we need to continue to be successful. Simply put, we are committed to "Growing our own Timber". During 2012, all brands identified key talent which was consolidated within the Group. In 2014, Group human resources will focus on enabling employees to understand the practical steps to grow and develop their careers.

Our Mentoring Programme is designed to develop leaders, retain diverse and skilled employees, and enhance succession planning while accounting for ADvTECH's structural changes. ADvTECH trained 64 mentors in 2013, bringing to 138 the total number of mentors available. 98 Staff members were mentored during 2013 (2012: 20). To address a request from mentees in the first cycle, briefing sessions for mentees were hosted and facilitated by regional coordinators in the 2012/2013 cycle. The success of these briefing sessions was reflected in the 36 new mentoring agreements entered into in the month after the sessions. Mentors receive support at Quarterly Mentor Focus Group sessions.

The Management Development Programme (MDP) and Leadership Development Programme (LDP) are aimed at developing current and future management. 55 Employees were invited to partake in these programmes in 2013. The purpose of the MDP is to acknowledge individuals in junior and middle management as the ADvTECH rising stars and equip them with the necessary skills to advance into senior management positions within the Group.

The LDP aims to equip our current management team to pursue goals of excellence. The pilot in 2010/2011 (20 participants) was revised and relaunched with 12 participants in September 2013.

A staff complement that reflects our nation's diversity will enable us to be more in tune with the needs of our students and the companies who will ultimately hire them, thereby ensuring our long-term success. The combined Black component of our general staff is 27%, managers 11% and Exco 18%.

To achieve our target of a 40% to 50% Black staff complement, we are rolling out skills development and training initiatives aimed at black staff.

To be effective corporate citizens, we live and actively share in the ideals of preserving and harnessing the environment within which we operate. Throughout our organisation we have embedded different ways that empower our employees and students to give back to their local communities. We believe our educational interventions with disadvantaged communities will be an enabling factor in transforming our society and help promote equality.

As education is our expertise, we feel the most valuable way we can contribute to society is through bursaries. As such, 5 900 bursaries (total value of R72 million, a 21% increase from 2012) were awarded in 2013. We provide opportunities for previously disadvantaged individuals (PDIs), with the aim of achieving an educated society that is representative of our country's diversity.

The ADvTECH Group was involved in a variety of citizenship projects spanning education, health, general community, environment, and orphans and vulnerable children. Initiatives such as these ultimately work towards creating a more stable society in which we will operate for decades to come. ADvTECH spent R1.6 million on these projects, bringing ADvTECH's total CSI expenditure to R74 million in 2013. See our online report at www.advtech.co.za for a full description of these initiatives.

The health and safety of our employees and students is a priority. To ensure our sites are operating at the correct standards, external occupational health and safety audits are conducted annually. In 2013, sites averaged 95% compliance (with 100% achievement by Vega and 99% achievement by the Junior Colleges). Internal audits are also conducted annually and the average across all sites was 92% in 2013.

The number of accidents and incidents at our facilities decreased to 155 in 2013 (2012: 187). 51 of these were incidents which required medical treatment (2012: 69). 38 were crime/theft related, the largest cause being theft of IT equipment of less than half a million Rand primarily from CrawfordSchools™ and Varsity College. 40 resulted in damage to property. Claims due to lightning damage were reduced considerably during 2013 as lightning protection systems were installed at schools that were susceptible to lightning strikes. A slip/trip/fall type injury has almost halved from the previous year and is still an identified area for improvement.

Health and safety representatives were appointed and trained at their respective sites e.g. fire marshalls and first aiders. 58 Teachers completed first aid training during 2013 (61% increase from 2012).

We acknowledge that HIV and AIDS are serious health problems which have socio-economic, employment and human rights implications. The pandemic could impact negatively on the workplace with prolonged employee illness and absenteeism impacting on productivity, employee benefits, occupational health and safety, production costs and workplace morale. We encourage and support voluntary testing and education to minimise the stigma around those living with HIV/AIDS and numerous Voluntary Counselling and Testing initiatives took place at our Tertiary sites in 2013.

The new ADvTECH People Solution (APS) system was approved in May 2013. This IT-driven HR and Payroll System is being phased in over the next two years as a holistic and automated approach to HR management. It provides information on the payroll, leave, employee development and performance management whilst enhancing our employees' HR experience.

We own 65% of our sites and rent the remainder of the sites we use. The estimated market value of sites owned is R1.719 billion. ADvTECH added 21 300m^2 in building capacity. This equates to a total of 12.81m^2 per scholar and 2.74m^2 per tertiary student. Building capacity increase was focused on the Schools division, due to increased demand. Our physical school capacity increased due to the expansion programme with four new schools completed in 2013 and some of our schools and tertiary brands underwent phase two expansions or face lifts to enhance our learning environments, enabling us to deliver on our promise of high quality education.

Although our footprint does not result in a significant environmental impact, ADvTECH is very well placed to educate our students and instil in them a deep respect for the environment and an understanding of the risks associated with global change. Environmental education forms an integral part of the curriculum at our schools. Creating environmental awareness in our learners and communities will promote the protection of the valuable natural assets of our country into the future. Amongst the practical initiatives to reduce electricity and water usage is the implementation of solar geysers, under sink geysers, light-switch movement sensors, rainwater capture tanks and we installed six backup generators to ensure continuity of service delivery. See a full list of our sustainability projects at www.advtech.co.za.

Board of directors

Maasdorp, Leslie – 47
Independent non-executive director, Chairman (Member of the Remuneration and Litigation Committees)

MSc Economics (SOAS, UK), BA Economics (UWC)

Leslie has more than 25 years' experience in economic policy making, corporate strategy and investment banking, having occupied senior leadership positions in both the public and private sectors. He is a former International Adviser to Goldman Sachs and former Vice chairman of Absa Capital and Barclays Capital. He is currently President of Bank of America Merrill Lynch for Southern Africa, a position he assumed in January 2011. He is a director of several listed and unlisted companies including Telkom, Batho Bonke Capital (the black empowerment partner of ABSA Group) and Kabi Solar. Leslie currently serves as Vice President of Business Leadership SouthAfrica (BLSA) and is also a director of the Soros Economic Development Fund. In 2013 he was appointed as the Chairman of the Rhodes Scholarship Selection Committee for Gauteng, Northwest, Limpopo and Mpumalanga provinces. He joined the Board in July 2009 and was appointed as Chairman on 1 September 2010.

Thompson, Frank – 58
Executive director, Chief executive officer (Member of the Executive, Risk and Transformation, Social and Ethics Committees)

BCom, BAcc, CA(SA)

Frank has some 30 years' experience in senior management and board positions since qualifying as a Chartered Accountant at Deloitte. He spent ten years in the Anglo American Group, mainly at electronics company Conlog, and ten years in the Malbak Group and its subsequently unbundled entity, Amalgamated Appliance Holdings Limited, where he was Deputy chairman. He joined ADvTECH Limited in 2002 as Group CEO. Frank has announced that he will step down as CEO of ADvTECH by the end of 2014.

Boulle, Christopher – 42
Independent non-executive director (Chairman Remuneration and Litigation Committees, Member of Audit and Risk Committees)

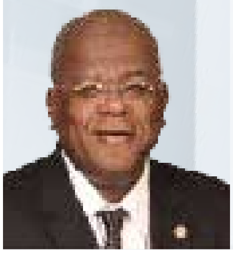
BCom, LLB, LLM

Chris is a commercial, corporate finance, tax and trust attorney. His experience as a non-executive director of listed companies spans more than a decade. He currently serves as director of a number of companies listed on the JSE and is also trustee of various trusts, including the ADvTECH Limited Share Incentive Trust. He joined the Board as alternate director to Hymie Levin in September 2011, and was appointed as a director of the Board in March 2013.

Gourley, Brenda (Professor) – 70
Independent non-executive director, (Deputy Chairperson of the Transformation, Social and Ethics Committee, Chairperson of the Risk Committee, Member of the Audit Committee)

CTA (Wits), MBL (Unisa), FCGI

Brenda is an accountant by profession. Her long career in business and academia culminated in her appointment as Vice chancellor of the University of KwaZulu-Natal in South Africa and subsequently as Vice chancellor and CEO of The Open University in the United Kingdom, a position she held for eight years. Over the years she has held a range of positions on various Boards and Trusts in different parts of the world in both the public and private sectors, including two terms of office as Chair of the Association of Commonwealth Universities. Her current appointments include Governor of the University of Brighton (where she is also a member of the Audit Committee) and the University of the World, USA, a Councillor of The City and Guilds Institute, London and a Trustee of the Royal Anniversary Trust, UK. She also chairs the Council for Education in the Commonwealth. She has numerous publications to her name and is a frequent speaker at conferences and gatherings all over the world. She has received recognition in the form of prizes, fellowships and awards as well as honorary degrees from 12 universities on four continents. Brenda joined the Board in 2008.



Jansen, Jonathan (Professor) – 57
Independent non-executive director (Chairman of the Transformation, Social and Ethics Committee)

PhD (Stanford), MSc (Cornell), BEd, HEd (Unisa), BSc (UWC)

Jonathan is Rector and Vice chancellor of the University of the Free State and President of the South African Institute of Race Relations. He holds Honorary Doctorate of Education degrees from the University of Edinburgh and Cleveland State University. He is a Fellow of the American Educational Research Association and the Academy of Science for the Developing World. He is a prominent author and speaker on educational matters around the world. He joined the Board in 2004.

Levin, Hymie – 68
Independent non-executive director

BCom, LLB, LLM, HDip Tax Law, HDip Co Law

Hymie is a specialist corporate and tax lawyer. He is the senior partner of HR Levin Attorneys and his experience spans more than 40 years. He is a non-executive director of various companies listed on the JSE. He has been a member of the Board since 1987 when it was listed on the JSE. Hymie will retire as a director at the Annual General Meeting in May 2014 and has indicated that he will not make himself available for re-election.

Livingstone, Jeffrey – 61
Independent non-executive director (Chairman of the Audit committee, Member of the Remuneration, Litigation and Risk Committees)

BCom, CA(SA), HDip Tax Law

Jeffrey is a practising Chartered Accountant and Chairman of Light & Livingstone Inc., Registered Accountants and Auditors. He qualified as a Chartered Accountant after completing his articles at PKF. He completed the Higher Diploma in Tax Law in 1981. Jeffrey provides a wide range of professional services and has acted as a director of and consultant to several public and private companies. He joined the Board in 2008.

Masie, Stafford – 39
Independent non-executive director

Stafford was born and commenced his education in South Africa before undertaking studies in Computer Science at Tel Aviv University. He has been involved in the IT industry for nearly 20 years, with an association with pre-eminent IT companies such as Dimension Data, Novell and Google. His passion for technology led to his appointment as senior executive at Novell USA and subsequently at Novell South Africa, and being responsible for establishing Google's presence in South Africa. After leaving Google in 2009, he established his own business and is now an entrepreneur with a particular interest in early stage start-up businesses in the IT industry. He is active as a business school lecturer, participant in several radio broadcasts and speaker on the influence of technology on modern day life, society and education. Stafford joined the Board in January 2014.

Nyati, Mteto – 49
Independent non-executive director

BSc Mechanical Engineering (KZN)

Mteto was born and completed his early education in the Transkei. He graduated with a BSc in Mechanical Engineering from the University of KwaZulu-Natal and completed further studies at Yale University. He has spent the last 17 years in the IT industry, first with IBM, both in South Africa and abroad, becoming director of IBM Global Technology Services for southern and central Africa. In 2008, he joined Microsoft South Africa as Managing director, a position which he still holds. Under his guidance Microsoft South Africa is a locally relevant multi-national through his focus on education, skills for employability and enterprise development. He is the joint winner of 2013 IT Personality of the Year Award. Mteto joined the Board in January 2014.

Oesch, Didier – 48
Executive director, Group financial director (Member of the Executive and Risk Committees)

BCompt (Hons), CA(SA)

Didier qualified as a Chartered Accountant in 1991 after completing his articles at Betty & Dickson. He gained considerable experience with the Nampak Group in various financial positions culminating in a four-year term in Europe as Financial director of Nampak Plastics Europe. Didier joined ADvTECH as Group financial manager and was appointed as a member of the Exco and as Group financial director in 2005.

Zinn, Shirley (Professor) – 52
Independent non-executive director (Member of the Transformation, Social and Ethics Committee)

BA, ADip Ed (UWC), BEd (Hons) (Unisa), MEd (UWC), EdM and EdD (Harvard)

Shirley was previously Deputy Global Head of Human Resources at Standard Bank and HR director at Nedbank, and now consults to various large companies. She was awarded the Top Woman in Business and Government and Top Executive in Corporate South Africa Awards by Topco Media in 2008. Shirley joined the Board in October 2012.

Group executive committee

Frank Thompson
Chief executive officer

Didier Oesch
Group financial director

Johan Coetzee
Properties director

Felicity Coughlan
Director, The Independent Institute of Education

Roy Douglas
Chief operating officer, Tertiary division

Odette Francesconi
Managing director, Varsity College and FLB

Lenn Honey
Chief operating officer, Resourcing division

Alex Isaakidis
Chief operating officer, Schools division

Eric Shipalana
Human resources director

Steven van Zyl
ICT director

Corporate governance

Introduction

As enunciated in its value statements, the ADvTECH Group remains committed to the principles of effective corporate governance and ethical leadership in all its business activities. The practices and policies of the ADvTECH Group are therefore aligned with the values espoused in the King Report on Corporate Governance for South Africa, 2009 (King III) as well as the Companies Act, No 71 of 2008 (the Act).

The Group currently complies, except in so far as indicated below, with the principles contained in the Code of Corporate Practices forming part of King III. The Board and its Committees acknowledge their responsibility to ensure that the principles of good corporate governance are observed, and the directors, collectively and individually, acknowledge their responsibilities in terms of the JSE Limited Listings Requirements.

The Board continuously reassesses its principles and policies against King III and the Act, and will make changes as and when appropriate to ensure that they remain relevant. This is an ongoing process.

Board of directors

ADvTECH maintains a unitary Board structure. The Board consisted of two executive and seven non-executive directors at year-end. Subsequent to the year-end, two additional non-executive directors were appointed, bringing the total of non-executive directors to nine at the time of this report. The majority of the directors are independent as defined by King III. The Chairman is an independent non-executive director. The roles of chairman and CEO are separate, each with clearly defined responsibilities. Details of the directors with brief *curricula vitae* can be found on pages 26 and 27.

The Board is satisfied that all directors continue to show independence of judgement and mind and that there are no relationships or circumstances likely to affect their judgement.

The Board as a whole considers and is responsible for the appointment of new directors, although they are assisted in this task by the Nominations Committee which evaluates suitable candidates and submits nominations to the Board.

One third of all non-executive directors retire by rotation annually, and any director appointed by the Board is subject to election by the shareholders at the first opportunity after their initial appointment. No director or prescribed officer holds any fixed term contract and both executive directors and prescribed officers have standard employment contracts, requiring three months' notice on termination.

CH Boulle, who was previously an independent non-executive alternate director to HR Levin, was appointed an independent non-executive director of the Board with effect from 8 March 2013, which appointment was confirmed at the Annual General Meeting held on 28 May 2013. SC Masie and M Nyati were appointed as independent non-executive directors with effect from 9 January 2014.

In December 2013, FR Thompson announced his intention to stand down as CEO of the Group by 31 December 2014. The extended notice period will facilitate an orderly and well-planned transition process in accordance with the Group's best interests and the requirements of sound corporate governance practice. The Board plans to make an appointment and implement a handover well in advance of FR Thompson stepping down.

Five Board meetings were held during the financial year under review.

The following table indicates attendance at meetings by the directors:

	15/3/2013	24/5/2013	23/8/2013	18/10/2013	29/11/2013
CH Boulle	P	P	P	P	P
BM Gourley	P	P#	P	P#	P
JD Jansen	P	A	P	P	P
HR Levin[1]	A	A	A	A	A
JC Livingstone	P	P	P	P	P
LW Maasdorp	P	P	P	P	P
JDR Oesch	P	P	P	P	P
FR Thompson	P	P	P	P	P
SA Zinn	P	P	P	P	P#

P = Present.
A = Absent.
 # = By teleconference.
1 = On extended sabbatical.

The Board retains overall accountability for and is responsible to all stakeholders for the proper management and effective control of the Group. The Board has delegated authority to run the day-to-day affairs of the Group to the CEO and the Executive Committee (Exco). The Audit Committee (which has also been responsible for Risk) and a Transformation, Social and Ethics Committee (which is also responsible for the functions of a Social and Ethics Committee) have been established. In addition, the Board has established Remuneration, Litigation and Nominations Committees to enable it to properly discharge its duties and responsibilities.

The Corporate affairs department which assumed responsibility for Group communications during the year under review, continued to more clearly identify stakeholders with legitimate interests and determine their respective roles. The activities of the Corporate affairs department are dealt with in the sustainability report to be found on pages 23 to 25.

The Board and its Committees are furnished with full information ahead of each meeting, ensuring that all relevant facts are brought to the attention of directors. Each Committee operates within specific written terms of reference under which certain functions of the Board are delegated with defined purposes, duties and reporting procedures. These terms of reference are reviewed regularly.

A formal evaluation of the Board is conducted regularly. In the last few years, the Chairman has conducted an internal assessment of the Board. In 2014, an external service provider has been appointed to conduct an external assessment of the Board's effectiveness. As the Board is relatively small and all directors participate actively, the Board has not found it necessary to conduct formal assessments of the individual directors.

Group Executive Committee

Exco is responsible for the day-to-day management of the business of the Group. Exco facilitates the effective control of all the Group's operational activities, acting as a medium of communication and co-ordination between all the various business units, Group companies and the Board. Exco is responsible for making recommendations to the Board with regards to the Group's policies and strategies and for monitoring their implementation in accordance with the Board's directives. Exco plays a role in monitoring risks applicable to the Group and reporting on these, together with recommendations and reports about action to be taken, to the Board. This includes the annual insurance review and a formal risk analysis.

Exco has access to expertise of Board members and meets with the Board at least once annually to ensure that they share a common vision for the future of the Group. The Chief operating officers (COOs) of each of the operating divisions attend at least two Board meetings annually.

At year-end, Exco consisted of two executive directors, three prescribed officers and six senior executives. Subsequent to year-end a member of Exco resigned.

Each of the Group's three operating divisions have formal management structures (Mancos) which meet on a monthly basis, or as often as they deem appropriate, to ensure the maintenance of standards and best practice in respect of corporate governance and internal controls.

Remuneration Committee

The Remuneration Committee (RemCom) consists of the following non-executive directors, all of whom are independent:

- CH Boulle (Chairman)
- JC Livingstone
- LW Maasdorp

RemCom meets as and when required; it met three times during the year under review.

The following table indicates attendance at meetings by the members:

	15/3/2013	12/4/2013	10/10/2013
CH Boulle	P	P	P
HR Levin*	A	A	A
JC Livingstone	P	P	P
LW Maasdorp	P	P	A

P = Present.
A = Absent.
* *See note 1 under table of directors. Resigned on 29 November 2013.*

The Committee determines, agrees and develops the remuneration policy for approval by the Board. The CEO and Group HR executive attend the meetings by invitation, but do not participate in any deliberations regarding their own remuneration.

Remuneration policy

RemCom seeks to entrench a culture of high performance by aligning the Group's remuneration philosophy with the business objectives, values and strategy. It also ensures that remuneration practices are soundly based and governed. An essential feature of this is the independence of RemCom in determining the remuneration and bonuses of all staff, especially executive management.

Remuneration is required to be benchmarked regularly against the market and aligned to Group performance. This aims to ensure that remuneration, by its structure and level, attracts and retains outstanding individuals, recognises loyalty and dedication, and provides incentives for exceptional performance. This is achieved through a combination of guaranteed remuneration, incentive rewards of a long and short-term nature, and conditions of service.

Remuneration report

Conditions of employment which provide for the necessary growth and development of academic staff, are reviewed annually against best practice and, where necessary, improvements to conditions of employment are implemented with due regard to the cost implications and their impact on the Group's staff.

Guaranteed remuneration consists of a cost-to-company package, which includes benefits such as medical aid and retirement funding. Employees who are not on medical aid are offered free accident insurance, including funeral cover.

Performance remuneration in the form of incentives, bonuses and profit sharing is included in certain employment categories, the object being to recognise, reward and retain high performing employees. Depending on the seniority and responsibility of the individual concerned, the incentive opportunity ranges from 5% to 90%

of the guaranteed cost-to-company remuneration package. The Group has disclosed the remuneration of the prescribed officers who are the three highest paid employees who are not also directors.

Remuneration is structured according to the following framework:

General staff

To encourage a high performance culture, each employee has agreed key performance indicators (KPIs) and, where applicable, performance objectives. This creates a direct link between performance and remuneration. Appropriate recognition is given to the qualifications of professional staff.

The remuneration of teachers and academic staff is benchmarked against state and other comparable institutions. Guidelines are then established for basic cost-to-company remuneration and, where appropriate, incentives for exceptional performance.

The remuneration of resourcing staff is based on an incentive structure linked to rigorous quality standards, with consultants and supervisors receiving performance related packages which include a relatively high proportion of variable pay. Remuneration of resourcing staff is reviewed quarterly and adjusted in appropriate circumstances.

Senior staff and management

The remuneration structure for these employees encompasses three elements:

- a guaranteed cost-to-company package;
- annual incentive remuneration based on predetermined KPIs as well as their brands and Group performance; and
- long-term incentive remuneration in the form of an opportunity to participate in the ADvTECH Limited Share Incentive Scheme, or the more recently established Long-Term Incentive Bonus Scheme.

Executive leadership

Executive leadership is offered a similar remuneration structure to that of senior staff and management. Annual incentive remuneration, however, is based on a combination of individual KPIs and the performance of the business unit for which the executive is responsible and Group KPIs. The bonus earned by the executive concerned is based on the extent to which agreed targets approved by RemCom at the beginning of the financial year under review were achieved. Executives are set stretch targets at demanding levels of growth and achievement. These targets also take into account the operating environment and strategic objectives, such as growth of the business, transformation of the Group and staff turnover.

For the 2013 financial year, executive bonuses, which were accrued at year-end and paid in March 2014 after approval of the annual financial statements, amounted to 52% (2012: 3%) of the maximum bonus opportunity.

Share incentive scheme

During the year under review, the structure of the Group share schemes was investigated with a view to benchmarking them against current best practice and ascertaining the extent to which they achieve the Group's objectives, being to align the participants' interests with those of the Group, act as a retention tool and reward participants in line with the success of the Group. The conclusion reached by the RemCom was that these objectives were best achieved by the existing Share Incentive Scheme, in terms of which options are offered to senior management and executives. It was, however, noted that there was an increasing trend of participants preferring to receive cash and therefore selling the shares immediately upon exercise of the options. The award of substantial numbers of options to participants every couple of years meant that some participants were placed under pressure to find the purchase price of the shares. The RemCom determined that, in order to accommodate such participants, a Long-Term Incentive Bonus Scheme be established.

The Group has continued to offer share options to executives and senior management. It has, however, been agreed to award smaller blocks of options to acquire shares on a more regular basis. The Remcom approved the award of 1 837 000 (2012: 1 595 000) share options during the year under review.

Long-Term Incentive Bonus Scheme

During the year under review, RemCom established the Long-Term Incentive Bonus Scheme to run alongside the Share Incentive Scheme. The amount of the bonus offered takes account of the fundamentally different nature of the incentive instrument. Participants will be eligible to participate either in the Share Incentive Scheme or the Bonus Scheme, but not both. Participants will be entitled to receive a percentage of their individual bonus amount depending on the compounded annual growth rate of HEPS achieved by the Group for the three year period 2014 to 2016. The intention is that similar awards will be made annually.

Directors

RemCom recommends the fees to be paid to non-executive directors to the Board and further guarantees that no person is involved in any decisions as to his or her own remuneration. The Board has elected not to follow the King III recommendation that non-executive remuneration should consist of a base fee and an attendance fee per meeting, and has determined that the current annual fee structure is more appropriate. Directors' contribution to the Group is not limited to their attendance at Board meetings, and their responsibilities and liabilities continue whether or not they attend a specific meeting. Furthermore, the payment of an annual fee allows management greater freedom in relying on the directors between meetings. The fees payable to non-executive directors were approved by special resolution of the shareholders at the Annual General Meeting held in May 2013, as required by the Act.

Audit Committee

The Group continued with a combined Audit and Risk Committee during the year under review. However, after review of the roles and responsibilities of the two committees, as well as their potential membership, the Board determined towards the end of the year that the activities of the two committees should be separated. The Audit Committee and Risk Committee met separately for the first time in November 2013.

The Audit Committee consists of the following non-executive directors:

- CH Boulle
- BM Gourley*
- JC Livingstone (Chairman)

* *BM Gourley has a relative in full-time employment within the Group which has necessitated the Group in obtaining exemption from the provisions of section 94 of the Act from the Companies Tribunal.*

In accordance with the provisions of the Act, shareholders are required to elect the members of the Audit Committee at the Annual General Meeting to be held in May 2014.

The Board has recommended that the following directors be appointed to the Audit Committee at the Annual General Meeting:

- CH Boulle
- BM Gourley
- JC Livingstone (Chairman)
- M Nyati

The establishment of the Audit Committee is a statutory requirement in terms of the Act. Its duties and responsibilities are therefore a combination of statutory duties and such other oversight of the financial function and reporting thereof as may be mandated by the Board. This includes assisting the Board in discharging its responsibilities to safeguard the Group's assets, ensure that proper accounting records are maintained, oversee the financial reporting process and ensure compliance with accounting policies, Group policies, legal requirements and internal controls within the Group.

The Group's internal audit function is headed by the Group's internal audit manager. The Audit Committee monitors, supervises and evaluates the effectiveness of the internal audit function.

The Audit Committee met three times during the year under review. These meetings were attended by the internal and external auditors, the CEO and Group financial director, as well as other Board members and invitees as considered appropriate by the Chairman of the Audit Committee.

The following table indicates attendance at meetings by the members:

	11/3/2013	19/8/2013	25/11/2013
CH Boulle	P	P	P
BM Gourley	P#	P	P
HR Levin*	A	A	A
JC Livingstone	P	P	P

P = Present.
A = Absent.
 # = By invitation.
* *See note 1 above, under table of directors. Resigned 29 November 2013.*

The Audit Committee operates in accordance with a written charter authorised by the Board. The Committee is responsible for the appointment of the auditors, agreeing fees payable to them and settling on the terms of their engagement, and provides recommendations to the Board with regards to:

- ensuring compliance with applicable legislation and the requirements of regulatory authorities;
- matters relating to financial accounting, accounting policies, reporting and disclosure;
- internal and external audit policy;
- activities, scope, adequacy and effectiveness of the internal audit function and audit plans;
- reviewing and approving of external audit plans, findings, problems and reports;
- reviewing and providing guidance on the Group's overall exposure to IT risks;
- compliance with the Group's values;
- ensuring that non-audit services will not be obtained from the external auditors where the provision of such services could impair audit independence; and
- reviewing and recommending the approval of interim and annual results.

The Audit Committee performed its responsibilities in terms of the charter during the year under review.

Both the external and internal auditors have unrestricted access to the Audit Committee, which ensures that their independence is in no way impaired. At least once annually (but generally prior to every meeting) the Chairman meets independently with representatives of internal and external audit; time is also set aside at least once annually (but generally at the end of every meeting) for the Committee to meet independently with representatives of internal and external auditors without executive management being present.

The Audit Committee has considered and is satisfied with the continued appropriateness of the expertise and experience of the Group financial director.

Risk Committee

A separate Risk Committee was established by the Board during the year under review. While the Risk Committee has assumed responsibility for monitoring and overseeing the management of risk within the Group, the Board, Exco and the Internal audit department review and assess the integrity and the quality of risk control systems and ensure that risk policies and strategies are effectively managed in accordance with the Group risk management matrix. The Group's major assets are insured against loss and this, together with the disaster recovery plan, will ensure that the business, from an information technology and operational viewpoint, continues with the least amount of disruption.

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

The Risk Committee consists of the following directors, the majority of whom are non-executive:

- CH Boulle
- BM Gourley (Chairperson)
- JC Livingstone
- JDR Oesch
- FR Thompson

The following table indicates attendance at the meeting by the members:

	25/11/2013
CH Boulle	P
BM Gourley	P
JC Livingstone	P
JDR Oesch	P
FR Thompson	P

P = Present.

Litigation Committee

The Litigation Committee consists of the following non-executive directors:

- CH Boulle (Chairman)
- JC Livingstone
- LW Maasdorp

The Litigation Committee has been charged with overseeing and providing management with guidance in relation to all major litigation which is not in the ordinary course of business.

Legal proceedings in respect of substantial claims against Andry Welihockyj, Marina Welihockyj and a company controlled by them are still in progress. Every effort is being made to bring these matters to a satisfactory conclusion in the interest of the Group and its stakeholders.

The Litigation Committee has advised the Board that legal counsel remains satisfied with the merits of the Group's claims and that the Group has no additional exposure other than for legal costs in these matters.

The Litigation Committee meets on an *ad hoc* basis, as and when required. It met twice during the year under review.

The following table indicates attendance at meetings by the members:

	17/01/2013	10/10/2013
CH Boulle	P	P
JC Livingstone	P	P
LW Maasdorp	P	A

P = Present.
A = Absent.

Transformation, Social and Ethics Committee

The Act demands that the Group establishes a Social and Ethics Committee. Because of the similarity in some of the responsibilities and duties of the Social and Ethics Committee and the previously existing Transformation Committee, and because transformation is regarded as a high priority by the Board, it has elected to combine the mandate of the Social and Ethics Committee with that of the Transformation Committee.

The Transformation, Social and Ethics Committee consists of the following directors:

- BM Gourley (Deputy Chairperson)
- JD Jansen (Chairman)
- FR Thompson
- SA Zinn

The Committee monitors and oversees the Group's progress on various issues relating to transformation at every level, social and ethical aspects, and, where appropriate, provides management with guidance in this regard.

The following table indicates attendance at the meeting by the members:

	14/3/2013	22/8/2013	21/11/2013
BM Gourley	P	P	P#
JD Jansen	P	P	P
FR Thompson	P	P	P
SA Zinn	P	P	P

P = Present.
 # = By teleconference.

Nominations Committee

The Nominations Committee consists of all the non-executive directors and the CEO, and is chaired by the Chairman of the Board.

In line with its terms of reference, the Committee meets on an *ad hoc* basis to nominate, evaluate and recommend possible new appointments to the Board. The Committee met once during 2013.

The following table indicates attendance at the meeting by the members:

	29/11/2013
CH Boulle	P
BM Gourley	P
JD Jansen	P
HR Levin*	A
JC Livingstone	P
LW Maasdorp	P
FR Thompson	P
SA Zinn	P#

P = Present.
A = Absent.
 # = By teleconference.
** See note 1 above, under table of directors.*

Internal control

The Board is responsible for ensuring that appropriate internal control systems are implemented and maintained to ensure that the Group's assets are safeguarded and managed in order to minimise potential losses arising from possible fraud and other illegal acts.

Internal control is implemented through the proper delegation of responsibility within a clearly defined approval framework, through accounting procedures and adequate segregation of duties. The Group's internal accounting controls and systems are designed to provide reasonable assurance as to the integrity of the Group's financial statements and to safeguard, verify and maintain accountability for all its assets.

Internal auditors monitor the operation of the internal controls and systems and report their findings and recommendations to management and the Board. Corrective action is taken to address control deficiencies and improve systems where opportunities are identified. The Board, operating through its Audit Committee, provides oversight of the financial reporting process and internal control systems.

No material incidents have come to the attention of the Board that would indicate any breakdown in internal controls during the year under review.

Internal audit

The Group's internal audit department has a specific mandate from the Audit Committee to independently appraise the adequacy and effectiveness of the Group's internal controls, governance and risk management processes. The department, headed by the Group internal audit manager, reports to the Group financial director on an administrative basis but has direct access to the CEO and the Chairman of the Audit Committee. The Group internal audit manager's conditions of service and remuneration are reviewed by the Audit Committee to further ensure the independence of the function.

The Board and Exco are ultimately responsible for overseeing the establishment of effective internal control systems in order to provide reasonable assurance that the Group's financial and non-financial objectives are achieved. The internal control and risk management process is ongoing and has remained in place up to the date of approval of the annual financial statements.

The internal audit coverage plan, which is subject to approval by the Audit Committee and updated annually, covers all major risk areas as identified and assessed by Internal Audit and the Group's risk management process. This ensures that the audit coverage is focused on and identifies areas of high risk.

Internal Audit provides a written assessment of the system of internal financial controls and risk management to the Board and the Audit Committee on an annual basis. Nothing has come to the attention of the Board to indicate that any material breach of these controls has occurred during the year under review.

Ethical standards

Compliance with ethical standards of behaviour is regarded as of primary importance to the Group; this has found expression in the Group's values – *"Through our own ethical conduct, practices and policies we seek to set an example to our learners, students and clients"*. Integrity is fundamental to the manner in which the Group conducts its business, and permeates its approach to all activities. These values are communicated to all personnel during induction and emphasised regularly. The Transformation, Social and Ethics Committee monitors and oversees the Group's adherence to these ethical standards. Group personnel are required at all times to act with the utmost integrity and objectivity and in compliance with the letter and the spirit of both the law and Group policies.

A culture of ethics is integrated at all levels within the Group, with the Board accepting responsibility for ensuring that it is promoted throughout the Group. The Group espouses these principles not because it is required to do so by any legislative requirements, but simply because it is "the right thing to do".

Accounting and auditing

The Board places strong emphasis on achieving the highest level of financial management, accounting and reporting to shareholders. The Board is committed to complying with International Financial Reporting Standards (IFRSs), the Act and the JSE Limited Listings Requirements.

The directors are responsible for ensuring that Group companies maintain adequate records in order to report on the financial position of the Group and the results of activities with accuracy and reliability. Financial reporting procedures are applied at all levels in the Group to meet this responsibility. The external auditors are responsible for independently auditing and reporting on these financial statements in accordance with IFRSs.

It is the directors' responsibility to prepare financial statements that fairly present:

- the state of affairs as at the end of the financial year under review;
- profit or loss for the year;
- cash flows for the year; and
- other material non-financial information.

The external auditors, Deloitte & Touche, were given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the Board of directors, Exco and Committees of the Board. The directors believe that all representations made to the independent auditors during their audit are valid and appropriate.

The external auditors provide an independent assessment of systems of internal financial control to the extent necessary for the audit, and express an independent opinion on whether the financial statements are fairly presented.

Employment equity

The Group continues to subscribe to the philosophy of employee upliftment and has dedicated resources to both training and development programmes to achieve transformation of its workforce. All employees are encouraged to develop their full potential for both themselves and the Group, which find expression in the ADvTALENT programme and the ADvTECH Transformation Forum, as well as the popular Mentoring Programme. Further information on these programmes can be found on the website at www.advtech.co.za.

IT governance

The Board is responsible for IT governance and ensuring that IT strategy is aligned with the Group's strategic objectives, and adopting and implementing an IT control framework. The IT Steercom assists with the implementation of IT strategies and policies. All Exco members are members of the IT Steercom to ensure that the Committee is able to make appropriate decisions. The Group constantly reviews its current technology and is investigating opportunities to utilise technology and integrate it into its strategy and processes. Security, disaster recovery and data management are essential focuses of the IT department.

Going concern

The Board has reviewed the assumption of the financial forecast and, based on that, has concluded that the business will be a going concern for the next financial year. The Board's statement regarding this is contained in the directors' responsibility statement on page 37.

Company secretary

All directors have access to the advice and services of the Company secretary, SK Saunders, whose appointment is in accordance with the Act. Although an employee of the Company, she is not a director. As an admitted attorney with more than 20 years of practical experience as a company secretary, she is considered to be a fit and proper person with appropriate skills and experience for the post.

The Company secretary provides guidance and advice to the Board on matters of ethics and good corporate governance, and ensures compliance with other statutory requirements.

The Company secretary works with the Board to ensure compliance with the JSE Limited Listings Requirements. The Company secretary oversees the induction of new directors and assists the Group Chairman and the CEO in setting the annual Board plan and other related matters. The details of the Company secretary appear on page 37 of this report.

Insider trading

The Group has a written policy on insider trading, adopted by the Board, which states that no director, executive, manager or any employee with price-sensitive information may deal directly or indirectly in the Company's shares during closed periods. The Group adheres to two closed periods in each financial year. The first commences at the end of June until the publication of the interim results, and the second commences at the end of December, the Group's financial year-end, until the final audited results for the year are released.

All directors' share dealings require the prior approval of the Chairman, and the company secretary retains a record of all such share dealings and approvals.

Related party transactions

Members of the Board and Exco are required to disclose any conflict of interest which they may have at the Board or Exco meetings, as the case may be, and in any event are required to make disclosure of any potential conflicts of interest on an annual basis. During the year under review, no material contracts involving directors' interests were entered into.

Directors

HR Levin and CH Boulle are partners at HR Levin Attorneys, who provide occasional legal services to the Group, but are neither the only nor the Group's lead firm of legal advisors (2013: R249 015; 2012: R2 071).

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

Prescribed officers

The Board has identified the divisional COOs, R Douglas, DL Honey and A Isaakidis as prescribed officers in terms of the Act. They are also members of Exco.

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

Exco

O Francesconi, J Coetzee and S van Zyl are members of Exco and have been awarded CrawfordSchools™ bursaries for their children in terms of the Group's bursary policy. O Francesconi has also been awarded a Varsity College bursary for her child in terms of the Group's bursary policy.

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Financial statements

Directors' responsibility for financial reporting

The directors of the Company are responsible for the maintenance of adequate accounting records and the preparation and integrity of the annual financial statements and related information. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act, No 71 of 2008, as amended, and the JSE Limited Listings Requirements. The Group's external auditors, Deloitte & Touche, have audited the financial statements and their unmodified report appears on page 38.

The directors are also responsible for the systems of internal control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect material misstatement and loss. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The annual financial statements are prepared on a going concern basis. Nothing has come to the attention of the directors to indicate that the Group will not remain a going concern for the foreseeable future.

The preparation of the Group's consolidated financial results for the year ended 31 December 2013 was supervised by JDR Oesch CA(SA), the Group's financial director.

The annual financial statements set out on pages 39 to 79 were approved by the Board of directors on 17 March 2014 and are signed on its behalf by:

LW Maasdorp
Chairman

FR Thompson
Chief executive officer

JDR Oesch
Group financial director

Certificate by Group company secretary

I certify that ADvTECH Limited has lodged with the Companies and Intellectual Property Commission (CIPC) all such returns as are required of a public company in terms of the Companies Act, No 71 of 2008, as amended, and that all such returns are true, correct and up to date.

SK Saunders
Group company secretary

Independent auditor's report

to the shareholders of ADvTECH Limited

We have audited the consolidated and separate financial statements of ADvTECH Limited set out on pages 43 to 79, which comprise the statements of financial position as at 31 December 2013, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The Company's directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of ADvTECH Limited as at 31 December 2013, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 31 December 2013, we have read the Directors' report, the Audit Committee's report and the Company Secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Deloitte & Touche

Deloitte & Touche
Registered Auditor
Per: S Nelson
Partner

17 March 2014

National Executive: LL Bam, **Chief Executive;** AE Swiegers, **Chief Operating Officer;** GM Pinnock, **Audit;** DL Kennedy, **Risk Advisory;** NB Kader, **Tax;** TP Pillay, **Consulting;** K Black, **Clients & Industries;** JK Mazzocco, **Talent & Transformation;** CR Beukman, **Finance;** M Jordan, **Strategy;** S Gwala, **Special Projects;** TJ Brown, **Chairman of the Board;** MJ Comber, **Deputy Chairman of the Board.**

A full list of partners and directors is available on request.

B-BBEE rating: Level 2 contributor in terms of the Chartered Accountancy Profession Sector Code.

Member of Deloitte Touche Tohmatsu Limited.

Audit committee report

The Audit Committee presents its report for the financial year ended 31 December 2013. The Audit Committee is an independent statutory committee with further duties being delegated to the Committee by the Board. This report covers both sets of duties. Terms of reference approved by the Board and adopted by the Committee set out the Committee's functions and responsibilities.

The Committee has discharged all its responsibilities and is in the process of giving further consideration to its terms of reference. In particular, the Committee:

- reviewed the interim and annual financial statements and recommended them for adoption by the Board;
- approved the internal audit terms of reference and audit plans;
- received and reviewed reports from both internal and external auditors, which included commentary on the effectiveness of the internal control environment, systems and processes and, where appropriate, made recommendations to the Board;
- reviewed the independence of the external auditors, Deloitte & Touche, and recommended them for re-appointment as auditors for the 2014 financial year, with S Nelson as the designated auditor at the Annual General Meeting;
- determined the fees to be paid to the external auditors and their terms of engagement;
- determined the nature and extent of non-audit services which may be provided by the external auditors and pre-approved the contract terms for the provision of non-audit services by the external auditors; and
- received and dealt appropriately with any complaints, from within or outside the Group, relating to the accounting practices and internal audit of the Group, to the content or auditing of its financial statements, the internal financial controls, or any related matter.

The Committee members are all non-executive directors and satisfy the requirements of independence as required by the Companies Act, No 71 of 2008, as amended (the Act). Details of membership of the Committee can be found on pages 31 to 32. The Committee was appointed by the Board of directors to hold office in respect of the financial year under review, and has proposed that the following non-executive directors be appointed as Committee members by the shareholders at the Annual General Meeting to be held in May 2014: CH Boulle, BM Gourley, JC Livingstone and M Nyati. The Committee meets at least three times every year as required by its terms of reference. Meetings are attended by the internal and external auditors, the CEO and Group financial director, as well as other Board members and invitees as considered appropriate by the Committee's chairman. Details of meetings held and attendance by Committee members can be found on pages 31 to 32.

The Committee is satisfied that the Group financial director, JDR Oesch CA(SA), has appropriate expertise and experience.

The Audit Committee terms of reference provide for confidential meetings between Committee members and the internal auditors and external auditors without executive management being present. The internal and external auditors have unrestricted access to the Committee.

The Committee has evaluated the annual report for the year ended 31 December 2013 and is satisfied that it complies in all material respects with the requirements of the Act and International Financial Reporting Standards.

On behalf of the Audit Committee

JC Livingstone
Chairman: Audit Committee

7 March 2014

Directors' report

for the year ended 31 December 2013

Your directors have pleasure in presenting their report on the activities of the Group for the year ended 31 December 2013.

Nature of business

The ADvTECH Group is one of the largest diversified education, training and placement groups in South Africa. ADvTECH Limited (registration number 1990/001119/06) is listed in the Specialised Consumer Services sector of the JSE Limited (JSE). The Schools division offers quality pre-primary, primary and secondary education, while the Tertiary division offers quality education on diploma, degree and postgraduate levels. The Resourcing division is a significant force in niche areas of the placement industry.

Financial results

The results for the year ended 31 December 2013 are set out herein and commentary thereon is provided in the Chairman's and CEO's reports.

Share capital

The Company's authorised share capital remains unchanged during the year under review:

Number of shares in issue at 31 December 2012	421 282 422
Number of shares in issue at 31 December 2013	421 282 422

There were no repurchases of shares in the Company by the Group during the year under review. All shares are fully paid up and are not encumbered.

Dividend

JSE code: ADH ISIN number: ZAE 0000 31035

The Board is pleased to announce the payment of a final dividend of 15.0 cents (2012: 14.0 cents) per share, bringing the total dividend for the year to 25.5 cents (2012: 24.0 cents) per share. The directors consider the Company both solvent and liquid subsequent to the dividend declaration.

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 payable to shareholders who are not exempt from DT is 12.75 cents per share, while it is 15.0 cents per share to those shareholders who are exempt from DT. The total dividend amount payable is R63 million.

Post-balance sheet events

The directors are not aware of any matter or circumstance occurring between the date of the statement of financial position and the date of this report that materially affects the results of the Group for the year ended 31 December 2013 or the financial position at that date.

Special resolutions adopted by subsidiary companies

Special resolutions in terms of section 45 of the Companies Act, No 71 of 2008, as amended (the Act), were passed by subsidiaries of the Company. The subsidiaries are from time to time required to provide financial assistance to the Company and within the Group including related and inter-related companies in the form of operational funding, credit guarantees and general financial assistance as contemplated in section 45.

No other special resolutions were passed by the subsidiaries, the nature of which may be significant to members in their appreciation of the state of affairs of the Group.

Directorate

Details of directors appear on pages 26 to 27 of this report.

CH Boulle, who was previously appointed as an independent non-executive alternate director to HR Levin, was appointed as an independent non-executive director to the Board with effect from 8 March 2013. This appointment was confirmed by shareholders at the Annual General Meeting held on 28 May 2013. The Board invited SC Masie and M Nyati to join the Board in late 2013, and they were formally appointed as independent non-executive directors on 9 January 2014, subsequent to the year-end.

In December 2013, FR Thompson announced his intention to stand down as CEO of the Group by 31 December 2014. The extended notice period will facilitate an orderly and well-planned transition process in accordance with the Group's best interests and the requirements of sound corporate governance practice. The Board plans to make an appointment and implement a handover well in advance of FR Thompson stepping down in order to ensure a smooth transition.

In accordance with the provisions of the Company's Memorandum of Incorporation (MoI), JD Jansen and LW Maasdorp retire by rotation at the forthcoming Annual General Meeting, and, being eligible, have offered themselves for re-election. HR Levin also retires at the forthcoming Annual General Meeting but will not be making himself available for re-election. Brief biographical notes in respect of each director can be found on pages 26 to 27 of this report.

Interests and emoluments of directors and prescribed officers

Interests of directors and prescribed officers

As at 31 December 2013, the directors' and prescribed officers' beneficial and non-beneficial, direct and indirect interests in the issued share capital of the Company were 7% (2012: 7%) in aggregate, and per director and prescribed officer as follows:

	Beneficial				Non-beneficial			
	Direct		Indirect		Direct		Indirect	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
Directors								
CH Boulle	**3 044**	3 044	**–**	–	**–**	–	**–**	–
BM Gourley	**–**	–	**–**	–	**–**	–	**–**	–
JD Jansen	**–**	–	**–**	–	**–**	–	**–**	–
HR Levin	**9 766 327**	9 766 327	**–**	–	**93 573**	93 573	**–**	–
JC Livingstone	**–**	–	**–**	–	**–**	–	**–**	–
LW Maasdorp	**–**	–	**–**	–	**–**	–	**–**	–
JDR Oesch	**1 240 000**	1 240 000	**–**	–	**–**	–	**32 000**	32 000
FR Thompson*	**12 496 856**	12 496 856	**–**	–	**–**	–	**–**	69 000
SA Zinn	**–**	–	**–**	–	**–**	–	**–**	–
Prescribed officers								
RJ Douglas	**–**	–	**–**	–	**–**	–	**–**	–
DL Honey	**7 000 621**	6 694 852	**–**	–	**–**	–	**1 000**	–
A Isaakidis	**870 937**	870 937	**–**	–	**–**	–	**–**	–
Totals	**31 377 785**	31 072 016	**–**	–	**93 573**	93 573	**33 000**	101 000

** Shares held by major children no longer disclosed as indirect non-beneficial shares.*

At the date that this financial report was prepared, none of the current directors or prescribed officers of the Group has disposed of any of the shares held by them as at 31 December 2013.

Directors' and prescribed officers' share options

The directors and prescribed officers held the following share options at 31 December 2013:

	Share options as at 31 December 2012		Share options granted during the year		Share options exercised during the year			**Share options as at 31 December 2013**
	Number	Exercise price (cents)	Number	Exercise price (cents)	Number	Market price at exercise date (cents)	Benefit arising on exercise of options (R)	**Number**
Director								
FR Thompson	1 300 000	560						**1 300 000**
	420 000	575						**420 000**
	185 000	580						**185 000**
			175 000	664				**175 000**
JDR Oesch	120 000	375						**120 000**
	200 000	560						**200 000**
	275 000	575						**275 000**
	90 000	580						**90 000**
			120 000	664				**120 000**
Prescribed officers								
R Douglas	450 000	580						**450 000**
			120 000	664				**120 000**
A Isaakidis	120 000	375						**120 000**
	350 000	560						**350 000**
	275 000	575						**275 000**
	120 000	580						**120 000**
			120 000	664				**120 000**
DL Honey	600 000	560						**600 000**
	275 000	575			91 666	650	68 750	**183 334**
	120 000	580						**120 000**
			120 000	664				**120 000**
	4 900 000		655 000		91 666		68 750	**5 463 334**

The share option exercise terms are detailed in note 15 on pages 63 to 64.

Directors' report

for the year ended 31 December 2013 *(continued)*

Directors' and prescribed officers' emoluments

Emoluments paid to directors and prescribed officers of the Group (excluding gains on share options exercised) for the year ended 31 December 2013, are set out below:

	Fees R	Salary R	Bonus* R	Expense allowances R	Provident fund contributions R	Consulting fees R	**Total 2013 R**	Total 2012 R
Executive								
FR Thompson		2 874 721	1 833 333	260 802	389 477		**5 358 333**	3 299 999
JDR Oesch		1 687 615	673 333	150 000	234 296		**2 745 244**	1 940 900
Total executive		4 562 336	2 506 666	410 802	623 773		**8 103 577**	5 240 899
Prescribed officers								
RJ Douglas**		2 037 295	908 333	180 000	282 705		**3 408 333**	–
DL Honey		1 896 527	418 333	169 680	254 047		**2 738 587**	2 212 400
A Isaakidis		1 839 327	1 033 333	213 864	225 174		**3 311 698**	2 454 445
Total prescribed officers		5 773 149	2 359 999	563 544	761 926		**9 458 618**	4 666 845
Non-executive								
CH Boulle	395 000						**395 000**	395 000
DK Ferreira***	–						**–**	105 041
BM Gourley	370 000					100 000	**470 000**	470 000
JD Jansen	305 000						**305 000**	305 000
HR Levin****	–						**–**	–
J Livingstone	430 000						**430 000**	430 000
LW Maasdorp	460 000						**460 000**	435 000
SA Zinn#	270 000						**270 000**	52 521
Total non-executive	2 230 000					100 000	**2 330 000**	2 192 562

* *The Company bonus plan approved by the Board and its Remuneration Committee makes provision for a bonus payment on the attainment of agreed profits as well as a payment for achievement of individual objectives.*
** *Appointed 1 January 2013.*
*** *Resigned as non-executive director on 22 May 2012.*
**** *On extended sabbatical.*
# *Appointed non-executive director on 22 October 2012.*

There were no directors' fees paid to executive directors for the year under review.

Major acquisitions

There were no major acquisitions made during the year under review, although there were two smaller acquisitions.

The Schools division acquired a 15% interest in Star Schools (Pty) Ltd with effect from 1 January 2013. It is anticipated that this will provide some exciting opportunities to use technology in the Group's education offerings. The acquisition of Snuggles nursery school on the West Rand was concluded during the year under review and implemented after year-end. The school has been added to the highly successful stable of Junior Colleges within the Schools division.

Auditors

Deloitte & Touche continued in office as auditors of the Company and its subsidiaries.

The Audit Committee has duly nominated Deloitte & Touche for re-appointment as auditors of the Company at the Annual General Meeting. Shareholders will be requested to re-appoint them as the independent external auditors of the Company and its subsidiaries, and to confirm S Nelson as the lead independent external auditor.

Company secretary

The company secretary is SK Saunders and her address as well as the address of the registered office of the Company is:

Business address
ADvTECH House
Inanda Greens Office Park
54 Wierda Road West
Wierda Valley
Sandton
2196

Postal address
PO Box 2369
Randburg
2125
Email address: groupsec@advtech.co.za

Group segmental report

for the year ended 31 December 2013

	Percentage increase/ (decrease)	**Audited 2013 R'm**	Audited 2012 R'm
Revenue		**1 766.3**	1 687.2
Schools	11%	**818.6**	739.2
Tertiary	2%	**750.5**	738.5
Resourcing	(5%)	**200.0**	211.3
Intra Group revenue		**(2.8)**	(1.8)
EBITDA		**291.6**	267.6
Schools	7%	**191.4**	179.7
Tertiary	25%	**79.5**	63.8
Resourcing	(15%)	**22.1**	26.1
Litigation		**(1.4)**	(2.0)
Depreciation and amortisation		**69.9**	67.6
Schools	8%	**34.4**	32.0
Tertiary	0%	**31.5**	31.5
Resourcing	(2%)	**4.0**	4.1
Operating profit before interest and impairment		**221.7**	200.0
Schools	6%	**157.0**	147.7
Tertiary	49%	**48.0**	32.3
Resourcing	(18%)	**18.1**	22.0
Litigation		**(1.4)**	(2.0)
Profit before taxation		**224.7**	202.5
Schools	5%	**146.1**	139.2
Tertiary	38%	**64.4**	46.6
Resourcing	(17%)	**15.6**	18.7
Litigation		**(1.4)**	(2.0)
Property, plant and equipment and proprietary technology systems		**1 242.6**	979.9
Schools	35%	**940.0**	698.6
Tertiary	8%	**299.7**	278.2
Resourcing	(6%)	**2.9**	3.1
Current assets		**235.1**	203.9
Schools	59%	**80.4**	50.7
Tertiary	3%	**129.6**	126.0
Resourcing	(8%)	**25.1**	27.2
Total assets		**1 632.7**	1 335.7
Schools	30%	**1 070.6**	824.0
Tertiary	13%	**519.1**	457.7
Resourcing	(20%)	**43.0**	54.0
Current liabilities		**779.7**	542.6
Schools	45%	**424.6**	292.9
Tertiary	43%	**298.8**	208.3
Resourcing	36%	**56.3**	41.4
Capital expenditure		**334.5**	231.5
Schools	51%	**256.9**	170.2
Tertiary	27%	**76.0**	59.8
Resourcing	7%	**1.6**	1.5

Two categories of disclosure have been replaced by more relevant categories utilised by the Chief operating decision maker.

Group statement of comprehensive income

for the year ended 31 December 2013

	Notes	Audited 2013 R'm	Audited 2012 R'm
Revenue	4	**1 766.3**	1 687.2
Staff costs	5	**(900.6)**	(854.4)
Rent and occupancy costs		**(161.9)**	(168.7)
Other operating expenses		**(412.2)**	(396.5)
Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA)		**291.6**	267.6
Schools		**191.4**	179.7
Tertiary		**79.5**	63.8
Resourcing		**22.1**	26.1
Litigation		**(1.4)**	(2.0)
Depreciation and amortisation	5	**(69.9)**	(67.6)
Operating profit before interest and impairment	5	**221.7**	200.0
Impairment of tangible assets	11	**–**	(1.5)
Net interest received		**3.0**	4.0
Interest received	6.1	**6.1**	7.8
Finance costs	6.2	**(3.1)**	(3.8)
Profit before taxation		**224.7**	202.5
Taxation	7	**(69.0)**	(64.1)
Total comprehensive income for the year		**155.7**	138.4
Earnings per share			
Basic (cents)	8	**38.5**	34.4
Diluted (cents)	8	**38.5**	34.4

Group statement of changes in equity

for the year ended 31 December 2013

	Notes	Share capital R'm	Share premium R'm	Shares to be issued R'm	Share option reserve R'm	Shares held by the Share Incentive Trust R'm	Retained earnings R'm	Total equity R'm
Balance at 1 January 2012		4.2	114.7	2.6	10.1	(108.8)	728.4	751.2
Total comprehensive income for the year							138.4	138.4
Dividends declared to shareholders	10						(107.4)	(107.4)
Share-based payment expense	5, 15				3.0			3.0
Shares issued	22.1, 22.2	–	2.6	(2.6)				–
Broad-based scheme shares granted						2.1		2.1
Share options exercised					(3.9)	9.7		5.8
Balance at 31 December 2012		**4.2**	**117.3**	**–**	**9.2**	**(97.0)**	**759.4**	**793.1**
Total comprehensive income for the year							155.7	155.7
Dividends declared to shareholders	10						(99.6)	(99.6)
Share-based payment expense	5, 15				2.9			2.9
Share awards granted						0.1		0.1
Share options exercised					–	0.8		0.8
Balance at 31 December 2013		**4.2**	**117.3**	**–**	**12.1**	**(96.1)**	**815.5**	**853.0**

Group statement of financial position

as at 31 December 2013

	Notes	Audited 2013 R'm	Audited 2012 R'm
Assets			
Non-current assets			
Property, plant and equipment	11	**1 198.6**	929.8
Proprietary technology systems	12	**44.0**	50.1
Goodwill	13	**98.2**	98.2
Intangible assets	14	**27.0**	31.1
Deferred taxation assets	16	**17.8**	22.6
Investment	17	**12.0**	–
		1 397.6	1 131.8
Current assets			
Inventories	18	**1.7**	0.5
Trade and other receivables	19	**111.5**	111.0
Prepayments		**24.3**	18.5
Bank balances and cash	20	**97.6**	73.9
		235.1	203.9
Total assets		**1 632.7**	1 335.7
Equity and liabilities			
Capital and reserves			
Share capital	22.1	**4.2**	4.2
Share premium	22.2	**117.3**	117.3
Share option reserve		**12.1**	9.2
Shares held by the Share Incentive Trust	15	**(96.1)**	(97.0)
Retained earnings		**815.5**	759.4
Total equity		**853.0**	793.1
Current liabilities			
Revolving credit loan	23	**300.0**	120.0
Trade and other payables	24	**280.0**	225.3
Provision	25	**1.8**	5.2
Taxation		**3.1**	5.8
Fees received in advance and deposits		**193.4**	169.0
Shareholders for capital distribution		**0.9**	0.9
Shareholders for dividend		**0.5**	0.3
Bank overdraft	20	**–**	16.1
		779.7	542.6
Total equity and liabilities		**1 632.7**	1 335.7

Group statement of cash flows

for the year ended 31 December 2013

	Notes	Audited 2013 R'm	Audited 2012 R'm
Cash flows from operating activities			
Cash generated from operations	28.1	**295.9**	275.2
Movement in working capital	28.2	**67.2**	57.1
Cash generated by operating activities		**363.1**	332.3
Net interest received		**3.0**	4.0
– interest received	6.1	**6.1**	7.8
– finance costs	6.2	**(3.1)**	(3.8)
Taxation paid	28.3	**(66.9)**	(42.7)
Dividends paid	28.5	**(99.4)**	(107.2)
Net cash inflow from operating activities		**199.8**	186.4
Cash flows from investing activities			
Additions to investment		**(12.0)**	–
Additions to property, plant and equipment			
– to maintain operations	28.6	**(73.3)**	(82.5)
– to expand operations	28.7	**(260.8)**	(149.0)
Additions to proprietary technology systems	12	**(0.4)**	–
Proceeds on disposal of property, plant and equipment		**5.6**	1.1
Net cash outflow from investing activities		**(340.9)**	(230.4)
Cash flows from financing activities			
Movement in revolving credit loan		**180.0**	120.0
Cash movement in shares held by Share Incentive Trust		**0.9**	5.7
Net cash inflow from financing activities		**180.9**	125.7
Net increase in cash and cash equivalents		**39.8**	81.7
Cash and cash equivalents at beginning of the year		**57.8**	(23.9)
Cash and cash equivalents at end of the year	20	**97.6**	57.8

Reclassifications occurred from investing activities to financing and operating activities to better reflect the nature of the cash flows. This did not affect the total movement or value of cash and cash equivalents.

Notes to the Group financial statements

for the year ended 31 December 2013

1. General information

ADvTECH Limited is a limited company incorporated in South Africa.

The principal business activities are the provision of education, training and staff placement within South Africa.

2. Adoption of new and revised standards

During the current year, the Group adopted the following standards which are effective for annual reporting periods beginning on or after 1 January 2013:

- IFRS 1: *First-time Adoption of International Financial Reporting Standards* (Amendments add an exception to the retrospective application of IFRSs to require that first-time adopters apply the requirements in IFRS 9 *Financial Instruments* and IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* prospectively to government loans existing at the date of transition to IFRSs);
- IFRS 1: *First-time Adoption of International Financial Reporting Standards (Annual Improvements 2009 – 2011 Cycle:* Amendments clarify the options available to users when repeated application of IFRS 1 is required and to add relevant disclosure requirements);
- IFRS 1: *First-time Adoption of International Financial Reporting Standards (Annual Improvements 2009 – 2011 Cycle:* Amendments to borrowing costs);
- IFRS 7: *Financial Instruments: Disclosures* (Amendments require entities to disclose gross amounts subject to rights of set off, amounts set off in accordance with the accounting standards followed, and the related net credit exposure. This information will help investors understand the extent to which an entity has set off in its balance sheet and the effects of rights of set off on the entity's rights and obligations);
- IFRS 10: *Consolidated Financial Statements* (New standard);
- IFRS 11: *Joint Arrangements* (New standard);
- IFRS 12: *Disclosures of Interests in Other Entities* (New standard);
- IFRS 13: *Fair value Measurement* (New standard);
- IAS 1: *Presentation of Financial Statements* (New requirements to group together items within OCI that may be reclassified to the profit or loss section of the income statement in order to facilitate the assessment of their impact on the overall performance of an entity);
- IAS 1: *Presentation of Financial Statements (Annual Improvements 2009 – 2011 Cycle:* Amendments clarifying the requirements for comparative information including minimum and additional comparative information required);
- IAS 16: *Property, Plant and Equipment (Annual Improvements 2009 – 2011 Cycle:* Amendments to the recognition and classification of servicing equipment);
- IAS 19: *Employee Benefits* (Amendments to the accounting for current and future obligations resulting from the provision of defined benefit plans);
- IAS 27: *Consolidated and Separate Financial Statements* (Consequential amendments resulting from the issue of IFRS 10, 11 and 12);
- IAS 28: *Investments in Associates* (Consequential amendments resulting from the issue of IFRS 10, 11 and 12);
- IAS 32: *Financial Instruments: Presentation* (Amendments require entities to disclose gross amounts subject to rights of set off, amounts set off in accordance with the accounting standards followed, and the related net credit exposure. This information will help investors understand the extent to which an entity has set off in its balance sheet and the effects of rights of set off on the entity's rights and obligations);
- IAS 34: *Interim Financial Reporting (Annual Improvements 2009 – 2011 Cycle:* Amendments to improve the disclosures for interim financial reporting and segment information for total assets and liabilities); and
- IFRIC 20: *Stripping Costs in the Production Phase of a Surface mine.*

These have no financial impact on the Group.

3. Significant accounting policies

3.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council as well as the requirements of the Companies Act of South Africa.

3.2 Basis of preparation

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments.

The principal accounting policies adopted are set out below. These were consistently applied in the previous year.

3.3 Segmental reporting

The Group's operating segments are determined by reference to the level of operating results regularly reviewed by the Chief operating decision maker to make decisions about resources to be allocated and for which discrete financial information is available. Operating segments which exhibit similar long-term financial performance and have similar economic characteristics are amalgamated.

The revenue earned by the Schools and Tertiary segments are derived from educational services and that of the Resourcing segment from placement fees. All sources of revenue are earned within South Africa.

Interest received, finance costs and taxation are assessed by the Chief operating decision maker at a total Group level and not considered separately at a segmental level.

3.4 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary as well as any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

3.5 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets,* as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if those interests were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Business combinations that took place prior to 1 January 2010 were accounted for in accordance with the previous version of IFRS 3.

3.6 Goodwill

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit *pro rata* on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period. Goodwill is assessed at each statement of financial position date for impairment.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition is recognised as goodwill. Goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

3.7 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, rebates and value added taxes.

Sale of goods is recognised when goods are delivered and title has passed.

Revenue from a contract to provide services is recognised by reference to the stage of completion.

Interest income is accrued on a time basis, by reference to the principal amount outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

3.8 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on the straight-line basis over the term of the lease.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expenses on the straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3.9 Foreign currencies

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in currency units, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the Group and individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each statement of financial position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the statement of financial position date.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss for the period.

3.10 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.11 Retirement benefit costs

The Group operates pension and provident funds to which employees from certain defined divisions belong. Both funds are defined contribution plans and do not require to be actuarially valued.

These plans are governed by the Pension Fund Act of 1956.

Current contributions to the pension and provident funds are expensed when they become payable.

The Group has no liabilities in respect of post-retirement medical aid contributions or benefits.

3.12 Share-based payments

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the grant date. The fair value determined at the grant date of the equity-settled share-based payments is expensed on the straight-line basis over the vesting period with a corresponding movement in the share reserve, based on the Group's estimate of the shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

Fair value is measured using the Bermudan Binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

3.13 Taxation

Income taxation expense represents the sum of the taxation currently payable and deferred taxation.

Current taxation

The taxation currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current taxation is calculated using taxation rates that have been enacted or substantively enacted by the statement of financial position date.

Deferred taxation

Deferred taxation is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding taxation base used in the computation of taxable profit. Deferred taxation liabilities are generally recognised for all taxable temporary differences and deferred taxation assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred taxation assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred taxation assets and liabilities are measured at the taxation rates that are expected to apply in the period in which the liability is settled or the asset realised, based on taxation rates (and taxation laws) that have been enacted or substantively enacted by the statement of financial position date. Deferred taxation is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred taxation is also dealt with in equity.

Deferred taxation assets and liabilities are offset when there is a legally enforceable right to set off current taxation assets against current taxation liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current taxation assets and liabilities on a net basis.

3.14 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment. Land is not depreciated. Depreciation is calculated on the straight-line basis at rates that will reduce the cost of the assets to their estimated residual values over their expected useful lives.

The annual rates for this purpose are:

Buildings	2%
Computer equipment	25%
Computer software	33.3%
Furniture, fittings and equipment	10% – 20%
Motor vehicles	20%
Video equipment	33.3%
Leasehold improvements	Period of lease

Assets held under finance leases are depreciated over the shorter of their expected useful lives on the same basis as owned assets or the term of the lease.

The gain or loss arising on the disposal of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

Borrowing costs incurred relating to the development of properties and software are capitalised and included in the cost of these assets until completion, less any identified impairment loss. The capitalisation rate used to determine the borrowing cost capitalised is the prevailing average borrowing rate. Depreciation of these assets, on the same basis as other property and software assets, commences when the assets are ready for their intended use.

3.15 Intangible assets

Intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on the straight-line basis over the estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

3.16 Impairment of tangible and intangible assets, excluding goodwill

At each statement of financial position date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-taxation discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately as an expense, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.17 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise direct costs and other costs that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price and costs to be incurred in marketing, selling and distribution.

3.18 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the statement of financial position date, and are discounted to present value where the effect is material.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

3.19 Share purchases

The ADvTECH Limited Share Incentive Trust purchases shares in the Company to be used for the settlement of its obligations under its share incentive schemes. When such purchases occur, these amounts are offset against share capital.

3.20 Financial instruments

Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a partner to the contractual provisions of the instrument. They are measured initially at fair value, being the transaction price. The subsequent accounting treatment depends on the classification of an instrument as set out below:

Available-for-sale financial assets (AFS financial assets)

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

The Group has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value at the end of each reporting period (if the directors consider that the fair value can be reliably measured).

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliable measured are measured at cost less any identified impairment losses at the end of each reporting period.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

Loans and receivables

Loans and receivables are measured at amortised cost using the effective interest method less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost and comprise cash on hand net of outstanding bank overdrafts and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Other financial liabilities

Loans and other payables are carried at amortised cost using the effective interest rate method if the time value of money is significant. Trade payables are generally carried at the original invoiced amount. Interest is recognised as an expense when incurred.

3.21 Derivative financial instruments

The Group enters into foreign exchange contracts to manage its foreign exchange risk.

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at each statement of financial position date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges).

A derivative is presented as a non-current asset or non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Hedge accounting

The Group designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges or cash flow hedges.

Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges. At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Movements in the hedging reserve in equity are also detailed in the statement of other comprehensive income.

Cash flow hedges

The effective portion of changes in the fair value of the derivatives that are designated and qualify as cash flow hedges is deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts deferred in equity are recycled in profit or loss in the period when the hedged item is recognised in profit or loss, in the same line of the statement of comprehensive income as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains or losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at the time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

3.22 Critical accounting judgements and key sources of estimation uncertainty

Valuation of equity compensation benefits

Management classifies its share-based payment scheme as an equity-settled scheme. In applying its judgement, management consulted with external expert advisers in the accounting and share-based payment advisory industry. The critical estimates as used in the Bermudan Binomial model are detailed in note 15 to the Group financial statements. This includes estimated option exercise behaviour, as well as anticipated forfeiture rates.

Impairment of assets

An assessment of impairment at a cash-generating unit level for tangible and intangible assets, as well as individual assessments of goodwill and financial assets (including related provisions), is performed at the end of each reporting period. Individual impairment assessments of assets are performed annually based on technical, economic and business circumstances.

Allowance for doubtful debts

An assessment of impairment of trade receivables is performed at the end of each reporting period based on various factors including the ageing of the receivables, projected future settlements based on prior period history and other pertinent information. Management judgement is required on estimating such information.

Deferred taxation assets

Deferred taxation assets are recognised to the extent it is probable that taxable income will be available in future against which these can be utilised. Future taxable profits are estimates based on business plans which include estimates and assumptions regarding economic growth, interest, inflation, taxation rates and competitive forces.

Contingent liabilities

Management applies its judgement based on facts and advice it receives from its legal and other advisers in assessing if an obligation is probable, more likely than not or remote. This judgement is used to determine whether the potential obligation is recognised as a liability, disclosed as a contingent liability or ignored for financial statement purposes.

Purchase price allocation relating to business combinations

The Group exercised judgement in determining the purchase price allocation in respect of intangible assets and resulting goodwill relating to the business combinations. The free cash flow method is used and the key assumptions involved were growth rates, discount rates and attrition rates.

3.23 Standards and interpretations not yet effective

At the date of the authorisation of these financial statements, the following standards and interpretations were in issue but not yet effective:

IFRS 1	*First-time Adoption of International Financial Reporting Standards (Annual Improvements 2011 – 2013 Cycle:* Clarify which versions of IFRSs can be used on initial adoption (amend basis for conclusions only))	Annual period beginning on or after 1 July 2014
IFRS 2	*Share-based Payment (Annual Improvements 2010 – 2012 Cycle:* Amends the definitions of "vesting condition" and adds definitions for "performance condition" and "service condition")	Annual period beginning on or after 1 July 2014
IFRS 3	*Business Combinations (Annual Improvements 2010 – 2012 Cycle:* Require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date)	Annual period beginning on or after 1 July 2014

IFRS 3	*Business Combinations (Annual Improvements 2011 – 2013 Cycle:* Clarify that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself)	Annual period beginning on or after 1 July 2014
IFRS 8	*Operating Segments (Annual Improvements 2010 – 2012 Cycle:* Requires disclosure of the judgements made in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly)	Annual period beginning on or after 1 July 2014
IFRS 9	*Financial Instruments* (New standard)	Annual period beginning on or after 1 January 2018
IFRS 13	*Fair Value Measurement (Annual Improvements 2010 – 2012 Cycle:* Clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only))	Annual period beginning on or after 1 July 2014
IFRS 13	*Fair Value Measurement (Annual Improvements 2011 – 2013 Cycle:* Clarify the scope of the portfolio exception in paragraph 52)	Annual period beginning on or after 1 July 2014
IFRS 14	*Regulatory Deferral Accounts* (New standard)	Annual period beginning on or after 1 January 2016
IAS 16	*Property, Plant and Equipment (Annual Improvements 2010 – 2012 Cycle:* Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount)	Annual period beginning on or after 1 July 2014
IAS 19	*Employee Benefits* (Amends to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of contributions is independent of the number of years of service, in that contributions, can, but are not required, to be recognised as a reduction in the service cost in the period in which the related service is rendered)	Annual period beginning on or after 1 July 2014
IAS 24	*Related Party Disclosure (Annual Improvements 2010 – 2012 Cycle:* Clarify how payments to entities providing management services are to be disclosed)	Annual period beginning on or after 1 July 2014
IAS 38	*Intangible Assets (Annual Improvements 2010 – 2012 Cycle:* Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount)	Annual period beginning on or after 1 July 2014
IAS 32	*Financial Instruments: Presentation* (To clarify certain aspects because of diversity in application of the requirements on offsetting)	Annual period beginning on or after 1 January 2014
IAS 36	*Impairment of Assets:* (Amends to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique)	Annual period beginning after 1 January 2014
IAS 39	*Financial Instruments: Recognition and Measurement* (Amends to make it clear that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met)	Annual period beginning after 1 January 2014
IAS 40	*Investment Property (Annual Improvements 2011 – 2013 Cycle:* Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property)	Annual period beginning on or after 1 July 2014
IFRIC 21	*Levies*	Annual period beginning on or after 1 January 2014

None of the standards and interpretations that have been published, but not yet effective, are expected to have a significant impact on the amounts recorded in the financial statements.

Notes to the Group financial statements

for the year ended 31 December 2013 *(continued)*

	Notes	Audited 2013 R'm	Audited 2012 R'm
4. Revenue			
Tuition fees		**1 534.3**	1 447.5
Placement fees		**178.3**	185.5
Sale of goods and services		**56.5**	56.0
Intra Group revenue		**(2.8)**	(1.8)
		1 766.3	1 687.2
5. Operating profit before interest and impairment			
Operating profit before interest and impairment is stated after taking the following into account:			
Auditors' remuneration		**4.4**	4.0
– Current year audit fee		**4.0**	3.8
– Other services		**0.4**	0.2
Amortisation of proprietary technology systems	12	**6.5**	6.4
Amortisation of intangible assets	14	**4.1**	5.1
Depreciation	11	**59.3**	56.1
– Land and buildings		**10.3**	7.1
– Computer equipment		**18.4**	17.9
– Computer software		**0.2**	0.6
– Furniture, fittings and equipment		**13.8**	13.5
– Motor vehicles		**3.3**	2.9
– Video equipment		**0.3**	0.5
– Leasehold improvements		**13.0**	13.6
Total depreciation and amortisation		**69.9**	67.6
Operating lease charges		**95.0**	106.4
– Premises		**93.9**	105.0
– Equipment		**1.1**	1.4
Professional fees		**9.2**	5.8
Loss/(profit) on sale of property, plant and equipment		**0.4**	(0.6)
Directors' emoluments		**10.4**	7.4
– For services as directors		**2.2**	2.1
– For managerial and other services		**8.2**	5.3
Pension and provident fund contributions		**53.4**	50.3
Share-based payment expense	15	**2.9**	3.0
Staff costs		**833.9**	793.7
Total staff costs		**900.6**	854.4
Number of staff (at year-end)		**3 942**	4 037
Number of staff covered by retirement plans (at year-end)		**2 461**	2 516

		Notes	Audited 2013 R'm	Audited 2012 R'm
6.	**Net interest received**			
6.1	**Interest received**			
	Call accounts		**4.7**	7.4
	Current accounts		**1.1**	–
	South African Revenue Service		**–**	0.3
	Other		**0.3**	0.1
			6.1	7.8
6.2	**Finance costs**			
	Revolving credit loan		**(2.5)**	(0.4)
	Revolving credit facility fees		**(0.4)**	(2.3)
	Unwinding of discount on provision	25	**(0.2)**	–
	Other		**–**	(1.1)
			(3.1)	(3.8)
	Net interest received		**3.0**	4.0
7.	**Taxation**			
7.1	**Taxation expense comprises**			
	Current taxation – current year		**63.1**	58.4
	– prior year under/(over) provision		**1.1**	(0.1)
	Deferred taxation – current year	16	**6.4**	6.1
	– prior year over provision	16	**(1.6)**	(0.3)
	Total taxation expense		**69.0**	64.1
	Estimated taxation losses for the Group carried forward at year-end were R4.7 million (2012: R3.8 million).			
	Deferred taxation assets have been raised for the full value of the estimated taxation losses in the Group.			
7.2	**Reconciliation of taxation**			
	Profit before taxation		**224.7**	202.5
	Taxation at 28%		**62.9**	56.7
	Permanent differences		**6.6**	7.8
	Disallowable expenditure – depreciation on buildings		**4.1**	4.2
	– other		**2.8**	3.6
	Taxation allowances		**(0.3)**	–
	Current taxation – prior year under/(over) provision		**1.1**	(0.1)
	Deferred taxation – prior year over provision		**(1.6)**	(0.3)
	Taxation expense recognised in profit		**69.0**	64.1

Notes to the Group financial statements

for the year ended 31 December 2013 *(continued)*

	Audited 2013 R'm	Audited 2012 R'm
8. Earnings per share		
The calculation of basic and diluted earnings per share attributable to equity holders is based on the following data:		
Earnings		
Earnings for the purpose of basic and diluted earnings per share	**155.7**	138.4
Number of shares		
Weighted average number of shares in issue at year-end ('m)	**421.3**	421.1
Less: Weighted average number of shares held by the Share Incentive Trust ('m)	**(17.3)**	(18.8)
Weighted average number of shares for purposes of basic earnings per share ('m)	**404.0**	402.3
Effect of dilutive potential ordinary shares ('m)	**0.3**	0.2
Weighted average number of shares for purposes of diluted earnings per share ('m)	**404.3**	402.5
Earnings per share		
Basic (cents)	**38.5**	34.4
Diluted (cents)	**38.5**	34.4

	Audited 2013 R'm		Audited 2012 R'm	
	Gross	**Net**	Gross	Net
9. Headline earnings per share				
Earnings				
Earnings for the purpose of basic and diluted earnings per share		**155.7**		138.4
Items excluded from headline earnings per share	**0.4**	**0.3**	0.9	0.7
Loss/(profit) on sale of property, plant and equipment	**0.4**	**0.3**	(0.6)	(0.4)
Impairment of property, plant and equipment	**–**	**–**	1.5	1.1
Earnings for the purpose of headline earnings per share		**156.0**		139.1

	Audited 2013 R'm	Audited 2012 R'm
Number of shares		
Weighted average number of shares in issue at year-end ('m)	**421.3**	421.1
Less: Weighted average number of shares held by the Share Incentive Trust ('m)	**(17.3)**	(18.8)
Weighted average number of shares for purposes of basic headline earnings per share ('m)	**404.0**	402.3
Effect of dilutive potential ordinary shares ('m)	**0.3**	0.2
Weighted average number of shares for purposes of diluted headline earnings per share ('m)	**404.3**	402.5
Headline earnings per share		
Basic (cents)	**38.6**	34.6
Diluted (cents)	**38.6**	34.6

	Audited 2013 R'm	Audited 2012 R'm
10. Dividends declared		
Final dividend No 7 paid on 15 April 2013: 14.0 cents per share (2012: No 5: 16.5 cents per share)	**59.0**	69.5
Interim dividend No 8 paid on 23 September 2013: 10.5 cents per share (2012: No 6: 10.0 cents per share)	**44.2**	42.1
Dividend attributable to treasury shares	**(3.6)**	(4.2)
Total dividends	**99.6**	107.4
On 17 March 2014 the directors declared a gross dividend No 9 of 15.0 cents per share payable on 14 April 2014 to shareholders registered on the record date, being 11 April 2014.		
Analysis of dividends per share declared in respect of current year's earnings:		
Interim	**10.5**	10.0
Final	**15.0**	14.0
	25.5	24.0

	Cost			
	1 Jan 2013 R'm	Additions R'm	Disposals R'm	**31 Dec 2013 R'm**
11. Property, plant and equipment				
Land and buildings	803.8	244.6	(5.6)	**1 042.8**
Computer equipment	134.6	22.1	(2.8)	**153.9**
Computer software	8.1	2.4	(0.9)	**9.6**
Furniture, fittings and equipment	142.5	17.5	(3.7)	**156.3**
Motor vehicles	24.4	2.1	(0.4)	**26.1**
Video equipment	2.1	0.4	–	**2.5**
Leasehold improvements	176.0	45.0	(1.4)	**219.6**
	1 291.5	334.1	(14.8)	**1 610.8**

	Accumulated depreciation and impairment			
	1 Jan 2013 R'm	Depreciation R'm	Disposals R'm	**31 Dec 2013 R'm**
Land and buildings	50.7	10.3	(0.6)	**60.4**
Computer equipment	99.0	18.4	(2.7)	**114.7**
Computer software	7.7	0.2	(0.8)	**7.1**
Furniture, fittings and equipment	108.7	13.8	(3.4)	**119.1**
Motor vehicles	15.0	3.3	(0.4)	**17.9**
Video equipment	1.7	0.3	–	**2.0**
Leasehold improvements	78.9	13.0	(0.9)	**91.0**
	361.7	59.3	(8.8)	**412.2**

	Net book value	
	31 Dec 2013 R'm	31 Dec 2012 R'm
11. Property, plant and equipment *(continued)*		
Land and buildings	**982.4**	753.1
Computer equipment	**39.2**	35.6
Computer software	**2.5**	0.4
Furniture, fittings and equipment	**37.2**	33.8
Motor vehicles	**8.2**	9.4
Video equipment	**0.5**	0.4
Leasehold improvements	**128.6**	97.1
	1 198.6	929.8

Included in land and buildings is an amount of R58.4 million (2012: R36.0 million) which relates to buildings that are still in progress.

Included in leasehold improvements is an amount of R13.4 million (2012: R0.9 million) which relates to improvements that are still in progress.

Included in computer software is an amount of R2.0 million (2012: R nil) which relates to systems that are still under development.

The amount of borrowing costs capitalised amounted to R0.8 million (2012: R nil) at a capitalisation rate of 6.8%.

The Group valued its fixed property during the year. The valuation was conducted by the Quadrant Property Group, a group of independent sworn valuators. The valuation based on present land use amounted to R1 718.9 million, a premium of R736.5 million or 75% over book value as at December 2013.

Valuations are done on a triennial basis with the next valuation due in 2016.

	Cost			
	1 Jan 2012 R'm	Additions R'm	Disposals R'm	31 Dec 2012 R'm
Land and buildings	618.5	185.3	–	803.8
Computer equipment	121.5	19.3	(6.2)	134.6
Computer software	9.7	0.2	(1.8)	8.1
Furniture, fittings and equipment	129.5	15.7	(2.7)	142.5
Motor vehicles	19.4	6.0	(1.0)	24.4
Video equipment	1.9	0.2	–	2.1
Leasehold improvements	172.4	4.8	(1.2)	176.0
	1 072.9	231.5	(12.9)	1 291.5

	Accumulated depreciation and impairment				
	1 Jan 2012 R'm	Depreciation R'm	Disposals R'm	Impairment* R'm	31 Dec 2012 R'm
Land and buildings	43.6	7.1	–	–	50.7
Computer equipment	85.7	17.9	(6.1)	1.5	99.0
Computer software	8.9	0.6	(1.8)	–	7.7
Furniture, fittings and equipment	97.7	13.5	(2.5)	–	108.7
Motor vehicles	12.9	2.9	(0.8)	–	15.0
Video equipment	1.2	0.5	–	–	1.7
Leasehold improvements	66.5	13.6	(1.2)	–	78.9
	316.5	56.1	(12.4)	1.5	361.7

* *During the year a change was made to the infrastructure technology platform in order to optimise performance and to ensure a sustainable Information Technology environment. This change resulted in some servers becoming redundant which led to their impairment.*

	Net book value 31 Dec 2012 R'm	Net book value 31 Dec 2011 R'm
11. Property, plant and equipment *(continued)*		
Land and buildings	753.1	574.9
Computer equipment	35.6	35.8
Computer software	0.4	0.8
Furniture, fittings and equipment	33.8	31.8
Motor vehicles	9.4	6.5
Video equipment	0.4	0.7
Leasehold improvements	97.1	105.9
	929.8	756.4

	Note	**Audited 2013 R'm**	Audited 2012 R'm
12. Proprietary technology systems			
Cost			
Balance at beginning of the year		**62.4**	62.4
Additions		**0.4**	–
Balance at end of the year		**62.8**	62.4
Accumulated amortisation			
Balance at beginning of the year		**12.3**	5.9
Amortisation expense	5	**6.5**	6.4
Balance at end of the year		**18.8**	12.3
Carrying amount			
At beginning of the year		**50.1**	56.5
At end of the year		**44.0**	50.1

The System for Academic Management accounts forms the bulk of the amount above. A useful life of ten years is used in the calculation of amortisation on a straight-line basis.

Notes to the Group financial statements

for the year ended 31 December 2013 *(continued)*

	Audited 2013 R'm	Audited 2012 R'm
13. Goodwill		
Cost		
Balance at beginning of the year	**98.2**	98.2
Balance at end of the year	**98.2**	98.2
Accumulated impairment losses		
Balance at beginning of the year	**–**	–
Impairment losses recognised in the year	**–**	–
Balance at end of the year	**–**	–
Carrying amount		
At beginning of the year	**98.2**	98.2
At end of the year	**98.2**	98.2

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

When testing goodwill for impairment, the recoverable amounts of the cash-generating units (CGU) are determined using value-in-use calculations taking into account discount rates and growth rates.

A terminal value is calculated based on a conservative growth rate.

As the Group integrates the acquired customers into existing platforms as part of the business model, the Group aggregates the CGU's into the core business segments and has used these segments as CGU's for the purpose of performing the value-in-use calculations.

The directors were satisfied that there were no impairment indicators.

	Note	Customer bases R'm	Brand values R'm	Total audited R'm
14. Intangible assets				
Cost				
Balance at 1 January 2012, 1 January 2013 and 31 December 2013		44.7	19.5	**64.2**
Accumulated amortisation and impairment				
Balance at 1 January 2012		25.1	2.9	**28.0**
Amortisation expense	5	4.2	0.9	**5.1**
Balance at 1 January 2013		29.3	3.8	**33.1**
Amortisation expense	5	3.2	0.9	**4.1**
At 31 December 2013		32.5	4.7	**37.2**
Carrying amount				
As at 31 December 2012		15.4	15.7	**31.1**
As at 31 December 2013		12.2	14.8	**27.0**

The following useful lives are used in the calculation of amortisation on a straight-line basis:

Customer bases	3 to 13.4 years
Brand values	5 to 10 years, indefinite life

The brand value of Trinityhouse has a life span in excess of 20 years and therefore an indefinite period of amortisation was selected. The carrying amount of this asset is R10.8 million (2012: R10.8 million).

15. ADvTECH share incentive scheme

Certain employees and directors are eligible to participate in the scheme. The option offer value is the closing price at which shares are traded on the JSE Limited on the trading day immediately preceding the offer date. Share options accepted by participants are exercisable at intervals of two, four and six years after the offer date. On exercise of the options, the participant pays the Share Incentive Trust an amount equal to the offer price multiplied by the number of options exercised. If a participant leaves the employ of the Group prior to exercising the options, the options lapse. Variations to the vesting periods are possible with the written consent of the Remuneration Committee of the Board and the Trustees of the Trust.

The broad-based scheme allocates shares to all employees based on a predefined period of employment. This scheme ran for a period of five years commencing September 2007.

Date options granted	Expiry date year ending	Exercise price of outstanding options (cents)	Weighted average estimated contractual life (years)	Fair value at grant date (cents)
7 December 2012	31 Dec 2018	570	3.8	137
21 October 2013	31 Dec 2019	664	4.3	176

	Number of share options	**Weighted average exercise price (cents)**	Number of share options	Weighted average exercise price (cents)
Reconciliation of options	**2013**		2012	
Options outstanding on 1 January	**8 186 000**	**532**	8 334 333	491
Add – Options granted during the year	**1 837 000**	**664**	1 595 000	570
Less – Exercised	**(154 666)**	**575**	(1 723 333)	333
– Lapsed	**(584 000)**	**534**	(20 000)	270
Options outstanding at 31 December	**9 284 334**	**568**	8 186 000	532

As at 31 December 2013 there were 49 (2012: 55) participants (including executive directors) in the ADvTECH share incentive scheme.

	Number of shares		Loan receivable R'm	
Reconciliation of shares owned	**2013**	2012	**2013**	2012
Shares owned by the Trust as at 1 January	**17 320 620**	19 423 753	**97.0**	108.8
Add – Share awards forfeited	**23 000**	–	**0.1**	–
Less – Share awards to staff 2013	**(30 000)**	–	**(0.2)**	–
– Broad based scheme shares transferred	**–**	(379 800)	**–**	(2.1)
– Options exercised during the year	**(154 666)**	(1 723 333)	**(0.8)**	(9.7)
Shares owned by the Trust at 31 December	**17 158 954**	17 320 620	**96.1**	97.0

The groups of persons to whom the shares will be allocated by the Trust have been identified.

The loan receivable from the Share Trust is unsecured, interest free and has no fixed terms of repayment.
The loan is eliminated on a Group basis but is reflected in the Company annual financial statements.

15. ADvTECH share incentive scheme *(continued)*

The fair values relating to the share option expense were calculated using the Bermudan Binomial model. The inputs into the model of options granted during the year were as follows:

	2013	2012
Weighted average exercise price (cents)	**664**	570
Expected volatility	**25%**	26%
Expected life	**5.8 years**	5.9 years
Risk free rate	**7%**	6%
Expected dividend yield	**4%**	4%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous six years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

All shares issued per the broad-based scheme have fully vested but the Company still holds 663 850 (2012: 804 200) shares on behalf of the employees.

The Group recognised total expenses of R2.9 million (2012: R3.0 million) related to share-based payment transactions during the year.

	Audited 2013 R'm	Audited 2012 R'm
16. Deferred taxation assets		
Opening deferred taxation assets	**22.6**	28.4
	(6.4)	(6.1)
Current year temporary differences	**(6.6)**	(6.1)
Movement in deferred taxation assets relating to taxation losses	**0.2**	–
Prior year over provision	**1.6**	0.3
Balance at end of the year	**17.8**	22.6
The balance comprises:		
Deferred and prepaid expenditure	**(0.6)**	(4.4)
Allowance for future expenditure (S24C)	**(28.9)**	(24.4)
Fees received in advance	**38.7**	33.2
Commercial building allowance	**(10.3)**	(5.8)
Allowance for doubtful debts	**12.6**	14.2
Leave pay accrual	**2.6**	2.8
Property, plant and equipment	**(12.8)**	(7.0)
Estimated taxation losses carried forward	**1.3**	1.1
Lease smoothing	**9.3**	10.0
Bonus provision	**5.9**	2.9
	17.8	22.6
Deferred taxation accounted for in the statement of comprehensive income:		
Deferred and prepaid expenditure	**3.8**	(0.2)
Allowance for future expenditure (S24C)	**(4.5)**	(5.1)
Fees received in advance	**5.5**	6.1
Commercial building allowance	**(4.5)**	(2.0)
Allowance for doubtful debts	**(1.6)**	–
Leave pay accrual	**(0.2)**	(0.1)
Property, plant and equipment	**(7.0)**	(5.0)
Movement in taxation losses	**0.2**	–
Lease smoothing	**(0.7)**	2.4
Bonus provision	**2.6**	(2.2)
	(6.4)	(6.1)

	Audited 2013 R'm	Audited 2012 R'm
17. Investment		
Available-for-sale investment		
Shares	**12.0**	–
The Group holds 15% of the ordinary share capital of Star Schools (Pty) Ltd, a company involved in schooling, matric re-writes and supplying of educational study guides. The directors of the Company do not consider that the Group is able to exercise significant influence over Star Schools (Pty) Ltd as the other 85% of the ordinary share capital is held by two other shareholders, who also manage the day-to-day operations of that Company.		
18. Inventories		
Books	**0.9**	0.3
Other	**0.8**	0.2
	1.7	0.5
19. Trade and other receivables		
Amounts receivable from tuition fees	**131.4**	135.9
Amounts receivable for placement fees	**13.3**	20.6
Amounts receivable from the sale of goods and services	**2.2**	5.5
Trade receivables	**146.9**	162.0
Allowance for doubtful debts	**(60.1)**	(67.9)
	86.8	94.1
Other receivables	**24.7**	16.9
	111.5	111.0
There are no customers who individually represent more than 5% of the total balance of trade receivables net of allowance for doubtful debts.		
Ageing of past due trade receivables but not impaired		
30 days	**14.9**	14.0
60 days	**10.5**	13.4
90 days	**7.3**	9.4
120+ days	**33.9**	39.8
Total	**66.6**	76.6
Movement in the allowance for doubtful debts		
Balance at beginning of the year	**67.9**	67.5
Impairment losses recognised on receivables	**35.0**	23.9
Impairment losses reversed	**(42.8)**	(23.5)
Balance at end of the year	**60.1**	67.9
The concentration of credit risk is limited due to the customer base being large and unrelated. This allowance for doubtful debts has been determined by reference to past default experience.		
The directors consider that the carrying amount of trade and other receivables approximates their fair value.		
Ageing of impaired trade receivables		
30 days	**0.2**	0.2
60 days	**1.0**	0.4
90 days	**1.0**	2.4
120+ days	**57.9**	64.9
Total	**60.1**	67.9

	Audited 2013 R'm	Audited 2012 R'm
20. Cash and cash equivalents		
Bank balances	**97.3**	73.7
Bank overdraft	**–**	(16.1)
Cash	**0.3**	0.2
	97.6	57.8

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying value of these assets approximates their fair value.

The bank overdraft is secured as disclosed in note 30.

The carrying amounts of the Group's bank balances are denominated in South African Rands.

Nature of monetary item	Foreign currency	**Foreign currency 2013 'm**	Foreign currency 2012 'm	**Rand equivalent 2013 R'm**	Rand equivalent 2012 R'm
21. Foreign currency exposure					
Trade credit	British Pounds	**0.01**	–	**0.1**	–

	Audited 2013 R'm	Audited 2012 R'm
22. Share capital and share premium		
22.1 Share capital		
Authorised		
500 000 000 shares of 1 cent each (2012: 500 000 000 shares of 1 cent each)	**5.0**	5.0

	Number of shares 2013 'm	**Share capital 2013 R'm**	Number of shares 2012 'm	Share capital 2012 R'm
Issued				
Balance at 1 January	**421.3**	**4.2**	420.8	4.2
Shares issued	**–**	**–**	0.5	–
Balance at 31 December	**421.3**	**4.2**	421.3	4.2

The unissued shares are under the control of the directors subject to the provisions of the Companies Act and the requirements of the JSE Limited.

	Audited 2013 R'm	Audited 2012 R'm
22.2 Share premium		
Balance at 1 January	**117.3**	114.7
Shares issued	**–**	2.6
Balance at 31 December	**117.3**	117.3

	Audited 2013 R'm	Audited 2012 R'm
23. Revolving credit loan		
Bank loan	**300.0**	120.0

This represents a draw-down on the R350 million revolving credit facility that is available to the Group for a three year period commencing on 5 December 2012. The Group also has options to extend this facility for up to a further two years and at 31 December 2013 had exercised the first of these options to extend the facility for a further one year.

The portion of the total facility utilised bears interest at the following rates:

- 0.00% – 33.33% of utilisation JIBAR + 1.50%
- 33.34% – 66.66% of utilisation JIBAR + 1.75%
- 66.67% – 100.00% of utilisation JIBAR + 2.00%

The Group has the option to make draw-downs for periods of 30, 60 and 90 days and can elect to roll these for further periods.

Refer to note 30 for details on securities.

	Audited 2013 R'm	Audited 2012 R'm
24. Trade and other payables		
Trade payables and accruals	**259.7**	204.1
Leave pay accrual	**9.3**	10.2
Vendor claims	**11.0**	11.0
	280.0	225.3

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs.

The directors consider that the carrying amount of trade payables, including the leave pay accrual, approximates their fair value. The average credit period on purchases is two months. No interest is charged on trade payables for the first 60 days from date of invoice. The Group has financial risk management policies in place to ensure that payables are paid within the credit time frame.

	Audited 2013 R'm	Audited 2012 R'm
25. Provision		
Onerous lease	**1.8**	5.2

	Note	Onerous lease R'm	**Total audited R'm**
Balance as at 1 January 2013		5.2	**5.2**
Reduction arising from payments		(3.6)	**(3.6)**
Unwinding of discount	6.2	0.2	**0.2**
Balance at 31 December 2013		1.8	**1.8**

The provision for onerous lease represents the present value of future lease payments and related expenses that the Group is presently obligated to make under a non-cancellable onerous operating lease contract, less revenue expected to be earned on the lease, including estimated future sub-lease revenue, where applicable. The estimate may vary as a result of changes in the utilisation of the leased premises and the sub-lease arrangements where applicable.

The unexpired term of the lease is 0.7 years (2012: 1.7 years).

Notes to the Group financial statements

for the year ended 31 December 2013 *(continued)*

	Audited 2013 R'm	Audited 2012 R'm
26. Commitments		
26.1 Capital commitments		
Capital expenditure approved by the directors:		
Contracted but not provided for	**186.4**	130.5
Not contracted	**989.8**	966.0
	1 176.2	1 096.5
Capital commitments will be financed through existing facilities and working capital.		
Anticipated timing of spend:		
0 – 2 years	**357.9**	319.4
3 – 5 years	**306.6**	225.6
more than 5 years	**511.7**	551.5
	1 176.2	1 096.5
26.2 Operating lease commitments in cash		
Commitments under non-cancellable operating leases are as follows:		
Premises:		
Due within one year	**72.9**	79.9
Due within two to five years	**155.7**	184.5
Due thereafter	**72.2**	30.7
	300.8	295.1
Equipment:		
Due within one year	**0.3**	0.2
Due within two to five years	**0.2**	0.1
	0.5	0.3
	301.3	295.4

The operating leases relate to premises and equipment with various lease terms, with an option to extend if required.

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27. Financial instruments

Financial risk management objectives and policies

The Group's principal financial instruments comprise investment, bank and cash equivalents and various items such as trade receivables and payables that arise directly from operations. All financial instruments are categorised as loans and receivables except for investments which are categorised as available-for-sale. The main purpose of these instruments is to finance the Group's operations.

Capital risk management

The Group manages its capital to ensure that subsidiaries/divisions will be able to continue as going concerns while maximising the return to stakeholders through optimisation of the debt and equity balance. The Group's overall strategy remains unchanged.

The capital structure of the Group consists of bank and cash equivalents and equity, comprising issued capital, share premium, reserves and retained earnings.

Capital projects are timed to coincide with additional capacity required to ensure facilities are utilised on completion.

Liquidity risk

Cash balances are monitored daily and surplus funds are placed on short-term deposits. Bank overdraft and revolving credit facilities available at 31 December 2013 amounted to R387.6 million (2012: R399.6 million) of which R300 million (2012: R196.1 million) has been utilised at year end. The bank overdraft facility expires within a year whereas the revolving credit facility is available to the Group for a further three year period with an option to extend for a further one year. Refer to note 23. These are considered adequate to finance operations.

Credit risk

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the statement of financial position are shown net of allowances for doubtful debts. The Group has no concentration of credit risk, with exposure spread over a large number of counterparties and customers. The Group's maximum credit risk exposure relates to the trade receivables of R146.9 million (2012: R162.0 million) and bank and cash balances of R97.6 million (2012: R73.9 million).

Interest risk

The Group is exposed to interest risk on the revolving credit facility and bank balances as these attract interest at a floating interest rate. The Group's exposure to interest rate are managed as stipulated in the liquidity risk.

If interest rates varied by 1% higher or lower and all other variables were held constant the Group's profits would have increased or decreased by R0.9 million (2012: R nil).

Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposure to exchange rate fluctuations arises. Material foreign exchange exposures are hedged with a corresponding foreign exchange contract.

Notes to the Group financial statements

for the year ended 31 December 2013 *(continued)*

	Notes	Audited 2013 R'm	Audited 2012 R'm
28. Notes to the statement of cash flows			
28.1 Cash generated from operations			
Profit before taxation		**224.7**	202.5
Adjust for non-cash IFRS and lease adjustments (before taxation)		**3.9**	8.2
		228.6	210.7
Adjust:		**67.3**	64.5
Depreciation and amortisation	5	**69.9**	67.6
Net interest received	6	**(3.0)**	(4.0)
Impairment of tangible assets	11	**–**	1.5
Loss/(profit) on sale of property, plant and equipment	5	**0.4**	(0.6)
		295.9	275.2
28.2 Movement in working capital			
(Increase)/decrease in inventories		**(1.2)**	0.1
Increase in trade and other receivables and prepayments		**(6.3)**	(7.4)
Increase in trade and other payables and provisions		**50.3**	34.0
Increase in fees received in advance and deposits		**24.4**	30.4
Decrease in working capital		**67.2**	57.1
28.3 Taxation paid			
Balance at beginning of the year		**(5.8)**	9.8
Current charge	7.1	**(64.2)**	(58.3)
Balance at end of the year		**3.1**	5.8
Cash amount paid		**(66.9)**	(42.7)
28.4 Capital distributions paid			
Balance at beginning of the year		**(0.9)**	(0.9)
Balance at end of the year		**0.9**	0.9
Cash amount paid		**–**	–
28.5 Dividends paid			
Balance at beginning of the year		**(0.3)**	(0.1)
Declared during the year	10	**(99.6)**	(107.4)
Balance at end of the year		**0.5**	0.3
Cash amount paid		**(99.4)**	(107.2)

	Audited 2013 R'm	Audited 2012 R'm
28. Notes to the statement of cash flows *(continued)*		
28.6 Additions to property, plant and equipment to maintain operations		
Land and buildings	**(24.6)**	(44.1)
Computer equipment	**(19.2)**	(18.2)
Computer software	**(2.4)**	(0.2)
Furniture, fittings and equipment	**(15.5)**	(11.4)
Motor vehicles	**(1.6)**	(5.5)
Video equipment	**(0.4)**	(0.2)
Leasehold improvements	**(9.6)**	(2.9)
	(73.3)	(82.5)
28.7 Additions to property, plant and equipment to expand operations		
Land and buildings	**(220.0)**	(141.2)
Computer equipment	**(2.9)**	(1.1)
Furniture, fittings and equipment	**(2.0)**	(4.3)
Motor vehicles	**(0.5)**	(0.5)
Leasehold improvements	**(35.4)**	(1.9)
	(260.8)	(149.0)

29. Related party transactions

The parent and ultimate controlling party of the Group is ADvTECH Limited.

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

Directors

Details regarding directors' emoluments, interest and share options are disclosed in the Directors' report on pages 41 to 42.

30. Group securities

In terms of the Group's banking arrangements, ADvTECH Limited, ADvTECH Resource Holdings (Pty) Ltd, ADvTECH Resourcing (Pty) Ltd, Kapele Appointments (Pty) Ltd and The Independent Institute of Education (Pty) Ltd have issued to its bankers unlimited cross guarantees including cessions of loan accounts on behalf of each other's overdraft and revolving credit facilities. As at 31 December 2013 the total amount utilised amounted to R300.0 million (2012: R136.1 million).

Company statement of comprehensive income

for the year ended 31 December 2013

	Notes	Audited 2013 R'm	Audited 2012 R'm
Dividends received from subsidiaries		**125.0**	75.0
Staff costs	1	**(2.7)**	(2.2)
Other operating income		**3.4**	3.5
Operating profit before interest	1	**125.7**	76.3
Net finance costs		**(0.4)**	(1.7)
Interest received	2.1	**–**	0.6
Finance costs	2.2	**(0.4)**	(2.3)
Profit before taxation		**125.3**	74.6
Taxation	3	**(0.1)**	0.1
Total comprehensive income for the year		**125.2**	74.7

Company statement of changes in equity

for the year ended 31 December 2013

	Notes	Share capital R'm	Share premium R'm	Share option reserve R'm	Retained earnings R'm	Total equity R'm
Balance at 1 January 2012		4.2	114.7	(2.6)	141.1	257.4
Total comprehensive income for the year					74.7	74.7
Dividends declared to shareholders*					(107.4)	(107.4)
Shares issued	7.1, 7.2	–	2.6			2.6
Share options exercised				(3.9)		(3.9)
Balance at 31 December 2012		**4.2**	**117.3**	**(6.5)**	**108.4**	**223.4**
Total comprehensive income for the year					125.2	125.2
Dividends declared to shareholders*					(99.6)	(99.6)
Share options exercised				–		–
Balance at 31 December 2013		**4.2**	**117.3**	**(6.5)**	**134.0**	**249.0**

* *Refer to note 10 of the Group annual financial statements.*

Company statement of financial position

as at 31 December 2013

	Notes	Audited 2013 R'm	Audited 2012 R'm
ASSETS			
Non-current assets			
Investments in subsidiaries at cost	4	**161.0**	161.0
Loan to Share Incentive Trust*		**96.1**	97.0
Deferred taxation assets	5	**0.6**	0.7
		257.7	258.7
Current assets			
Loans to subsidiaries	4	**76.5**	26.5
Trade and other receivables	6	**3.0**	2.0
Prepayments		**0.2**	–
		79.7	28.5
Total assets		**337.4**	287.2
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	7.1	**4.2**	4.2
Share premium	7.2	**117.3**	117.3
Share option reserve		**(6.5)**	(6.5)
Retained earnings		**134.0**	108.4
Total equity		**249.0**	223.4
Current liabilities			
Trade and other payables	8	**0.7**	4.7
Loans from subsidiaries	4	**86.3**	57.9
Shareholders for capital distribution		**0.9**	0.9
Shareholders for dividend		**0.5**	0.3
		88.4	63.8
Total equity and liabilities		**337.4**	287.2

* *Refer to note 15 of the Group annual financial statements.*

Company statement of cash flows

for the year ended 31 December 2013

	Notes	**Audited 2013 R'm**	Audited 2012 R'm
Cash flows from operating activities			
Cash generated from operations	11.1	**0.7**	1.3
Movement in working capital	11.2	**(5.2)**	8.3
Cash generated by operating activities		**(4.5)**	9.6
Net finance costs		**(0.4)**	(1.7)
– interest received	2.1	**–**	0.6
– finance costs	2.2	**(0.4)**	(2.3)
Dividends paid	11.4	**(99.4)**	(107.2)
Net cash outflow from operating activities		**(104.3)**	(99.3)
Cash flows from investing activities			
Effects of share options exercised on the share option reserve		**–**	(3.9)
Movement in the loan to the Share Incentive Trust		**0.9**	11.8
Net cash inflow from investing activities		**0.9**	7.9
Cash flows from financing activities			
Increase in net loans from subsidiaries		**103.4**	91.4
Net cash inflow from financing activities		**103.4**	91.4
Net increase in cash and cash equivalents		**–**	–
Cash and cash equivalents at beginning of the year		**–**	–
Cash and cash equivalents at end of the year		**–**	–

Notes to the Company financial statements

for the year ended 31 December 2013

	Note	Audited 2013 R'm	Audited 2012 R'm
1. Operating profit before interest			
Operating profit before interest is stated after taking the following into account:			
Auditors' remuneration		**0.5**	0.4
– Current year audit fee		**0.4**	0.3
– Prior year under provision		**0.1**	0.1
Directors' emoluments – for services as directors		**2.2**	2.1
Staff costs		**0.5**	0.1
Total staff costs		**2.7**	2.2
2. Net finance costs			
2.1 Interest received			
Call accounts		**–**	0.6
2.2 Finance costs			
Revolving credit facility fees		**(0.4)**	(2.3)
Net finance costs		**(0.4)**	(1.7)
3. Taxation			
3.1 Taxation expense comprises			
Deferred taxation – current year	5	**0.1**	(0.1)
Total taxation expense		**0.1**	(0.1)
Estimated taxation losses for the Company carried forward at year-end was R2.5 million (2012: R2.8 million).			
Deferred taxation assets have been raised for the full value of the estimated taxation losses in the Company.			
3.2 Reconciliation of taxation			
Profit before taxation		**125.3**	74.6
Taxation at 28%		**35.1**	20.9
Permanent differences – non-taxable income		**(35.0)**	(21.0)
Taxation expense recognised in profit		**0.1**	(0.1)

Notes to the Company financial statements

for the year ended 31 December 2013 *(continued)*

	Issued share capital		Proportion held directly or indirectly		Interest of Holding Company: Shares		Interest of Holding Company: Loans receivable/ (payable)		
	31 Dec 2013 R	31 Dec 2012 R	**31 Dec 2013 %**	31 Dec 2012 %	**31 Dec 2013 R'm**	31 Dec 2012 R'm	**31 Dec 2013 R'm**	31 Dec 2012 R'm	Principal activity
4. Investments in and loans to and from subsidiaries									
Direct:									
The Independent Institute of Education (Pty) Ltd	**2**	2	**100**	100	**101.2**	101.2	**(86.3)**	(57.9)	1
ADvTECH Resource Holdings (Pty) Ltd	**3 150 023**	3 150 023	**100**	100	**59.8**	59.8	**70.0**	20.0	2
Indirect:									
ADvTECH Resourcing (Pty) Ltd	**10**	10	**100**	100			**6.5**	6.5	3
ADvTECH Training (Pty) Ltd	**2**	2	**100**	100					4
Bryan Hattingh Independent Services (Pty) Ltd	**1**	1	**100**	100					4
Business Learning Systems (Pty) Ltd	**1 000**	1 000	**100**	100					4
Elezean Institute (Pty) Ltd	**100**	–	**50**	–					1
Kapele Appointments (Pty) Ltd	**100**	100	**70**	70					3
Resource Development International (Pty) Ltd	**200**	200	**100**	100					4
Strategic Connection (Pty) Ltd	**100**	100	**100**	100					4
The Design School Southern Africa (Pty) Ltd	**1**	1	**100**	100					4/1
					161.0	161.0	**(9.8)**	(31.4)	

1 Independent provider of education.
2 Investment Holding Company.
3 Recruitment, placement and temporary staffing Company.
4 Dormant Company.

Results of subsidiaries so far as they concern members of the Company: Aggregate profit after taxation R155.7 million (2012: R138.4 million). All companies are incorporated in the Republic of South Africa.

The loans are interest free and there are no fixed terms of repayment. The inter-company loans do not carry any credit risk as the underlying entities are profitable and generate sufficient cash to meet their obligations.

	Audited 2013 R'm	Audited 2012 R'm
5. Deferred taxation assets		
Opening deferred taxation assets	**0.7**	0.6
Current year temporary differences	**(0.1)**	–
Movement in deferred taxation assets relating to taxation losses	**–**	0.1
Balance at end of the year	**0.6**	0.7
The balance comprises:		
Deferred and prepaid expenditure	**(0.1)**	–
Estimated taxation losses carried forward	**0.7**	0.7
	0.6	0.7
Deferred taxation accounted for in the statement of comprehensive income:		
Deferred and prepaid expenditure	**(0.1)**	–
Movement in taxation losses	**–**	0.1
	(0.1)	0.1
6. Trade and other receivables		
Other receivables	**3.0**	2.0

Other receivables consist of inter-company receivables. The inter-company receivables are unsecured, interest free and have no fixed terms of repayment.

The inter-company receivables do not carry any credit risk as the underlying entities are profitable and generate sufficient cash to meet their obligations.

The directors consider that the carrying amount of other receivables approximates their fair value.

	Audited 2013 R'm	Audited 2012 R'm
7. Share capital and share premium		
7.1 Share capital		
Authorised		
500 000 000 shares of 1 cent each (2012: 500 000 000 shares of 1 cent each)	**5.0**	5.0

	Number of shares 2013 'm	Share capital 2013 R'm	Number of shares 2012 'm	Share capital 2012 R'm
Issued				
Balance at 1 January	**421.3**	**4.2**	420.8	4.2
Shares issued	**–**	**–**	0.5	–
Balance at 31 December	**421.3**	**4.2**	421.3	4.2

The unissued shares are under the control of the directors subject to the provisions of the Companies Act and the requirements of the JSE Limited.

Notes to the Company financial statements

for the year ended 31 December 2013 *(continued)*

		Audited 2013 R'm	Audited 2012 R'm
7.	**Share capital and share premium** *(continued)*		
7.2	**Share premium**		
	Balance at 1 January	**117.3**	114.7
	Shares issued	**–**	2.6
	Balance at 31 December	**117.3**	117.3
8.	**Trade and other payables**		
	Trade payables and accruals	**0.7**	4.7

Trade payables and accruals principally comprise amounts outstanding for ongoing costs.

The directors consider that the carrying amount of trade payables approximates their fair value. The average credit period on purchases is two months. The Company has financial risk management policies in place to ensure that payables are paid within the credit time frame.

9. Financial instruments

Financial risk management objectives and policies

The Company's principal financial instruments comprise various items such as trade receivables and payables that arise directly from operations. These items have been classified as loans and receivables. The main purpose of these instruments is to finance the Company's operations.

Capital risk management

The Company manages its capital to ensure that subsidiaries/divisions will be able to continue as going concerns while maximising the return to stakeholders through optimisation of the debt and equity balance. The Company's overall strategy remains unchanged.

The capital structure of the Company consists of equity, comprising issued capital, share premium, reserves and retained earnings.

Capital projects are timed to coincide with additional capacity required to ensure facilities are utilised on completion.

10. Contingent liabilities

In terms of the Group's banking arrangements, the Company has issued to its bankers unlimited cross guarantees including cession of loan accounts on behalf of The Independent Institute of Education (Pty) Ltd), ADvTECH Resourcing (Pty) Ltd, ADvTECH Resource Holdings (Pty) Ltd and Kapele Appointments (Pty) Ltd for overdraft and revolving credit facilities, which at 31 December 2013 were utilised and amounted to R300.0 million (2012: R136.1 million). (See note 20, 23 and 30 of the Group financial statements).

	Note	Audited 2013 R'm	Audited 2012 R'm
11. Notes to the statement of cash flows			
11.1 Cash generated from operations			
Profit before taxation		**125.3**	74.6
Adjust for non-cash items		**(125.0)**	(75.0)
		0.3	(0.4)
Net finance costs	2	**0.4**	1.7
		0.7	1.3
11.2 Movement in working capital			
(Increase)/decrease in trade and other receivables and prepayments		**(1.2)**	6.7
(Decrease)/increase in trade and other payables		**(4.0)**	1.6
(Increase)/decrease in working capital		**(5.2)**	8.3
11.3 Capital distributions paid			
Balance at beginning of the year		**(0.9)**	(0.9)
Balance at end of the year		**0.9**	0.9
Cash amount paid		**–**	–
11.4 Dividends paid			
Balance at beginning of the year		**(0.3)**	(0.1)
Declared during the year		**(99.6)**	(107.4)
Balance at end of the year		**0.5**	0.3
Cash amount paid		**(99.4)**	(107.2)

12. Related party transactions

ADvTECH Limited performed certain administrative services for The Independent Institute of Education (Pty) Ltd and for ADvTECH Resourcing (Pty) Ltd for which management fees of R4.0 million (2012: R3.7 million) and R1.0 million (2012: R0.9 million) respectively were charged and paid, being an appropriate allocation of costs incurred by the relevant administrative departments. Refer to directors' report for directors' emoluments.

Shareholders' analysis

at 31 December 2013

	Number of shareholders	% of shareholders	Number of shares	% of total shares
Range of shareholding				
1 to 10 000	2 929	75.4%	7 034 256	1.7%
10 001 to 100 000	656	16.9%	21 164 118	5.0%
100 001 to 500 000	171	4.4%	38 294 856	9.1%
500 001 to 1 000 000	45	1.2%	34 750 329	8.2%
more than 1 000 000	82	2.1%	320 038 863	76.0%
	3 883	**100.0%**	**421 282 422**	**100.0%**

To the best knowledge of the directors and after reasonable enquiry, as at 31 December 2013, the spread of shareholders was as follows:

Shareholder spread

ADvTECH Share Incentive Scheme	1	0.0%	17 158 954	4.1%
Directors (including prescribed officers and subsidiary directors)	9	0.3%	32 376 785	7.7%
Non-public shareholding	10	0.3%	49 535 739	11.8%
Public shareholding	3 873	99.7%	371 746 683	88.2%
Total of all shareholders	**3 883**	**100.0%**	**421 282 422**	**100.0%**

Major shareholders

According to the information available to the Company after reasonable enquiry, the following shareholders are directly or indirectly interested in 5% or more of ADvTECH's share capital:

	Shares held	
	Number	%
Coronation Fund Managers	111 403 687	26.4%
Kagiso Asset Management	41 461 472	9.8%
Sanlam Investment Management	27 110 781	6.4%
Old Mutual Investment Group	26 643 895	6.3%
BD Buckham	23 792 650	5.6%

Share information

	2013	2012	2011	2010	2009
Closing price at period end (cents)	**657**	620	620	595	525
JSE market price high (cents)	**725**	703	630	640	535
JSE market price low (cents)	**600**	561	540	505	290
Total number of transactions on JSE	**12 610**	8 402	6 481	5 306	3 970
Total number of shares traded	**119 944 745**	89 283 288	105 998 458	74 704 485	72 982 931
Total value of shares traded (R)	**789 563 625**	527 358 137	604 571 019	439 713 207	318 742 200
Average price per share (cents)	**659**	602	572	589	437
Shares in issue*	**421 282 422**	421 282 422	420 880 090	400 838 181	400 838 181
Percentage volume traded to shares in issue	**28%**	21%	25%	19%	18%
PE ratio	**17.1**	18.0	15.9	16.0	13.1

* *Shares in issue per JSE as at 31 December 2013.*

Shareholders' diary

	2014
Announcement of annual results	Tuesday, 18 March
Annual report	Thursday, 27 March
Last date to trade to be eligible to participate and vote at Annual General Meeting	Friday , 9 May
Last date to be recorded as shareholder	Friday, 16 May
Annual General Meeting	Tuesday, 27 May
Announcement of interim results for the six months ended 30 June 2014	Monday, 25 August

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