ADTECH GROUP

INTEGRATED ANNUAL REPORT 2016

CONTENTS

OUR BRANDS

SCHOOLS

CrawfordSchools Pre-Primary - Preparatory - College
TRINITYHOUSE Pre-Primary • Preparatory • High
CENTURUS colleges
ABBOTTS COLLEGE Senior High School
Junior colleges
MARAVEST
ADvTECH Academies

TERTIARY

THE INDEPENDENT INSTITUTE OF EDUCATION (IIE)

IIE Varsity College
IIE Rosebank College
IIE Vega School
IIE the design school southern africa
IIE The Business School at Varsity College

Capsicum Culinary Studio
Oxbridge Academy
University of Africa

RESOURCING

Network Recruitment
Communicate Recruitment
Financial Appointments
Cassel & Co
Brent Personnel
TECH-PRO Leaders in Supply Chain Recruitment
CA Global Headhunters International
africaHRsolutions
insource.ict
the working earth

ABOUT THIS REPORT

OUR ANNUAL INTEGRATED REPORT FOR THE YEAR ENDED 31 DECEMBER 2016 IS OUR PRIMARY REPORT TO STAKEHOLDERS.

We aim to provide concise and accurate information on matters material to the group's overall strategy, performance and its ability to create value. We seek to make our report accessible and understandable to a broad range of stakeholders, while providing the information shareholders require when making investment decisions.

This report, the complete annual financial statements and all supplementary reports referred to in this publication are available on our website www.advtech.co.za under the investor information tab.

Materiality

ADvTECH defines material matters as those matters that could substantially impact our ability to execute our strategic priorities and create value over time. The group executive committee has determined the material matters contained in this year's report, taking into account the guidance received from the board, feedback and concerns raised by stakeholders, and information received from operational teams. The following material matters have been identified and are discussed throughout the report:

> **Academic excellence remains central to our value proposition** and sets us apart from other academic institutions. It remains the fundamental reason why parents choose an ADvTECH school or tertiary institution for their child's education.

> **We invest significant resources into the research and development of academically sound methods and processes** so that every student and job candidate has the best possible chance at success.

> **An effective human resource strategy** ensures business continuity and positive societal impact. With the correct development interventions, our staff complement will accurately represent the diverse communities we serve. Transformation and succession planning initiatives enable us to attract, develop and retain the best talent. We need to ensure that our staff complement is appropriately skilled and available to fill any vacancies caused by attrition or expansion.

> **Regulatory changes and bureaucratic delays** could impact our ability to obtain licensing and accreditation approval, thereby affecting our expansion strategy.

> **Challenging economic conditions** could adversely affect enrolment rates, and thus the rate at which we are able to execute our growth strategy.

> **Prudent investment and expansion** activities will be a major focus this year. Our growth strategy includes expansion through organic growth, acquisitions and greenfield projects.

Assurance and auditor independence

We apply a combined assurance process consisting of three lines of defence, namely management (board, Exco and operational management); external assurance providers; and internal assurance providers (internal auditors, risk and compliance functions and other board committees).

The group's independent external auditors, Deloitte & Touche, provided unqualified assurance of the group's annual financial statements as set out on pages 67 to 110 of the report.

Reporting frameworks

We used the requirements of the following frameworks to guide and inform our decisions during the preparation of this report:

> South African Companies Act No 71 of 2008 (The Companies Act);

> JSE Limited (JSE) Listings Requirements;

> Reporting principles as contained in the King Report on Corporate Governance in South Africa (King III);

> The International Integrated Reporting Council (IIRC);

> International Integrated Reporting (IR) Framework, December 2013;

> International Financial Reporting Standards (IFRS); and

> The South African Institute of Chartered Accountants' (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee.

Board approval

The board has applied its collective mind to the contents of this report and is satisfied that it accurately represents the group's performance for the year under review. This report, together with the group's annual financial statements, was approved by the board of directors for the year ended 31 December 2016 on 16 March 2017 and signed on its behalf by:

Chris Boulle
Chairman

Roy Douglas
Chief executive officer

2016 PERFORMANCE AT A GLANCE

REVENUE
↑24%
2015: 40%

TRADING OPERATING PROFIT
↑30%
2015: 75%

NORMALISED EARNINGS PER SHARE
↑24%
2015: 27%

DIVIDENDS PER SHARE
32.5 cents
2015: 29.5 cents

	Percentage change	2016	2015
Revenue (R'm)	24%	**3 353.1**	2 707.7
Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA)	33%	**740.6**	557.9
Operating profit before interest	36%	**608.1**	448.3
Trading operating profit	30%	**584.6**	448.3
Non-trading income		**23.5**	–
Profit before taxation	60%	**526.4**	328.6
Shareholders' equity	19%	**2 677.3**	2 254.5
Total assets	8%	**4 645.4**	4 302.7
EBITDA margin (%)	7%	**22.1**	20.6
Net asset value per share (cents)	16%	**491.8**	424.7
Free operating cash flow before capex per share (cents)	20%	**90.9**	75.5
Headline earnings per share (cents)	39%	**71.1**	51.0
Diluted headline earnings per share (cents)	39%	**71.0**	51.0
Normalised earnings per share (cents)	24%	**66.7**	53.9
Diluted normalised earnings per share (cents)	24%	**66.6**	53.9
Gross dividends (cents)	10%	**32.5**	29.5
Number of employees (at year-end)	9%	**5 916**	5 441

2016 SCOPE OF OPERATIONS

MATRIC CANDIDATES	1 636
NUMBER OF DISTINCTIONS	2 562
MATRIC PASS RATE	100%

NUMBER OF EMPLOYEES	5 916
EDUCATION SITES	98

JOB CANDIDATES PLACED	3 493
RESOURCING BRANDS	11

TOTAL ENROLMENTS

↑ 13%

2016: 53 337
2015: 47 209

SCHOOL ENROLMENTS

↑ 6%

2016: 24 199
2015: 22 877

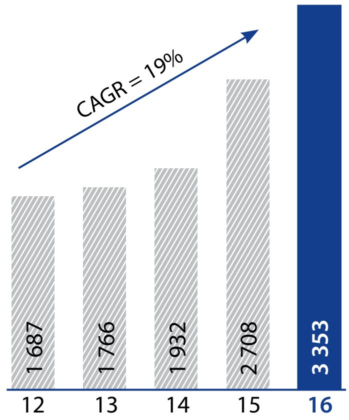
TERTIARY FULL QUALIFICATION STUDENT ENROLMENTS

↑ 20%

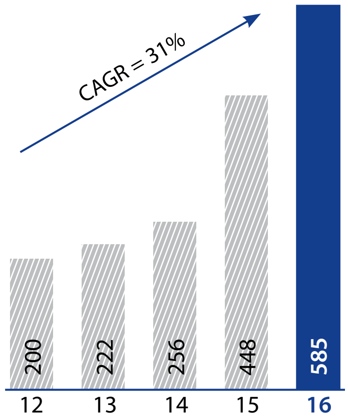
2016: 29 138
2015: 24 332

FIVE YEAR FINANCIAL REVIEW

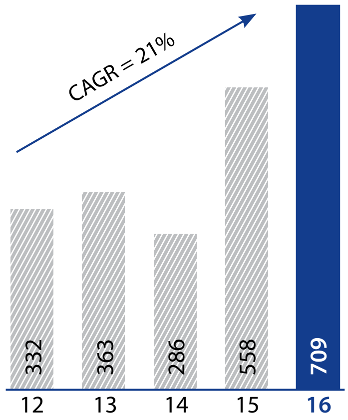
for the year ended 31 December 2016



Revenue (R'm)



Trading operating profit (R'm)

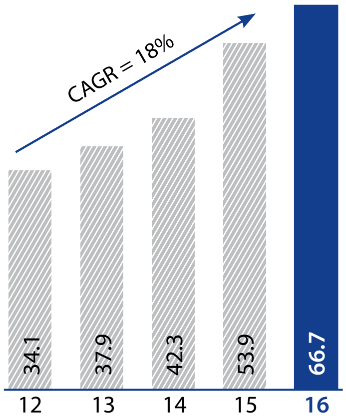


Cash generated by operating activities (R'm)

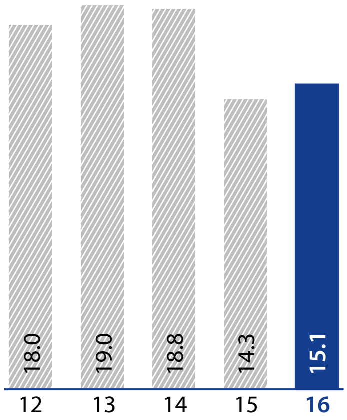
	2016 R'm	2015 R'm	2014 R'm	2013 R'm	2012 R'm
Summarised statements of comprehensive income					
Revenue	**3 353.1**	2 707.7	1 931.8	1 766.3	1 687.2
Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA)	**740.6**	557.9	340.8	291.6	267.6
Depreciation and amortisation	**132.5**	109.6	84.4	69.9	67.6
Operating profit before interest and impairment	**608.1**	448.3	256.4	221.7	200.0
Trading operating profit	**584.6**	448.3	256.4	221.7	200.0
Non-trading income	**23.5**	–	–	–	–
Impairment of tangible and intangible assets	**–**	–	–	–	(1.5)
Net (finance costs paid)/interest received	**(81.7)**	(119.7)	(9.1)	3.0	4.0
Profit before taxation	**526.4**	328.6	247.3	224.7	202.5
Taxation	**(148.5)**	(102.5)	(80.2)	(69.0)	(64.1)
Total comprehensive income for the year	**377.9**	226.1	167.1	155.7	138.4
Attributable to minority interest	**5.5**	1.2	–	–	–
Profit attributable to equity holders of the parent	**372.4**	224.9	167.1	155.7	138.4
Headline earnings	**373.5**	228.4	167.5	156.0	139.1
Summarised statements of financial position					
Shareholders' equity	**2 677.3**	2 254.5	928.8	853.0	793.1
Interest bearing debt	**1 238.3**	1 333.1	550.0	300.0	136.1
Deferred taxation liability	**94.1**	98.0	–	–	–
Other current liabilities	**635.7**	617.1	481.4	479.7	406.5
	4 645.4	4 302.7	1 960.2	1 632.7	1 335.7
Non-current assets	**4 222.7**	3 894.2	1 646.0	1 397.6	1 131.8
Bank balances and cash	**128.2**	176.2	113.8	97.6	73.9
Other current assets	**294.5**	232.3	200.4	137.5	130.0
	4 645.4	4 302.7	1 960.2	1 632.7	1 335.7
Summarised cash flows					
Cash generated by operating activities	**708.5**	557.5	285.7	363.1	332.3
Net cash inflow from operating activities	**302.3**	222.6	92.7	199.8	186.4
Net cash outflow from investing activities	**(441.0)**	(1 340.4)	(337.7)	(340.9)	(230.4)
Net cash inflow from financing activities	**67.2**	1 180.2	261.2	180.9	125.7
Net (decrease)/increase in cash and cash equivalents	**(71.5)**	62.4	16.2	39.8	81.7

RATIOS AND STATISTICS

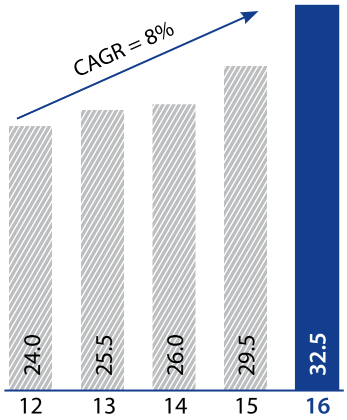
for the year ended 31 December 2016



Normalised earnings per share (cents)



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



Distributions to shareholders (cents per share)

	2016	2015	2014	2013	2012
Earnings and distribution					
Earnings per share (cents)*	**70.9**	50.2	40.2	37.5	33.5
Headline earnings per share (cents)*	**71.1**	51.0	40.3	37.6	33.6
Normalised earnings per share (cents)*	**66.7**	53.9	42.3	37.9	34.1
Distributions to shareholders per share (cents)	**32.5**	29.5	26.0	25.5	24.0
Profitability					
EBITDA on revenue (%)	**22.1**	20.6	17.6	16.5	15.9
EBIT on revenue (%)	**18.1**	16.6	13.3	12.6	11.9
Operating profit on average shareholders' funds (%)	**24.7**	28.2	28.8	26.9	25.9
Headline earnings on average shareholders' funds (%)	**15.1**	14.3	18.8	19.0	18.0
Return on funds employed (%)**	**16.4**	19.4	21.8	23.4	24.6
Productivity					
Payroll costs per R1 000 of revenue (Rand)	**501.4**	495.1	496.2	509.9	506.4
Revenue per average fixed assets (Rand)	**1.2**	1.3	1.4	1.6	1.9
Revenue per employee (R'000)	**566.8**	497.6	478.6	448.1	417.9
Revenue per square metre (Rand)	**7 437.5**	6 371.0	6 313.1	6 859.4	7 143.1
Finance					
Current assets to current liabilities	**0.4**	0.4	0.3	0.3	0.4
Operating cash flow per share (cents)	**55.5**	41.9	22.0	47.4	44.2
Capital expenditure (R'millions)	**361.8**	406.1	316.4	334.5	231.5
Free operating cash flow before capex per share (cents)	**90.9**	75.5	47.2	71.5	65.6
Net asset value per share (cents)	**491.8**	424.7	220.5	202.5	188.3
Debtors' days as at 31 December	**25.6**	26.0	29.0	23.0	24.0
Net gearing ratio (%)	**41.5**	51.3	47.0	23.7	7.8
Other					
Total shares in issue (millions)	**544.4**	530.8	421.3	421.3	421.3
Weighted average number of shares in issue (millions)*	**525.2**	447.8	415.8	415.1	413.4
Diluted weighted average number of shares in issue (millions)*	**525.7**	447.8	416.2	415.4	413.6
Employee headcount at year-end	**5 916**	5 441	4 036	3 942	4 037
Total capacity occupied ('000 m^2)	**450.8**	425.0	306.0	257.5	236.2

* *The adjustment to the basic and diluted weighted average number of shares in issue for prior years is an increase of 11.1 million shares due to the bonus element contained within the rights offer. This has a subsequent effect on the earnings, headline earnings and diluted earnings per share in the prior years*

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

OUR VALUES

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

People-centeredness
Sound education and placement depends on empowered and successful human interaction on a personal level.

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

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.

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.

Respect
Respecting each other as well as clients and candidates.

STATEMENT OF 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 future.
- 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.

OUR BUSINESS MODEL OF VALUE

The group does not receive any form of subsidy, but this apparent constraint has not prevented us from successfully applying our business model to create value. **Sustaining profitability by way of prudent investments and competitive shareholder returns enables us to continually reinvest to grow.**

Our well-resourced institutions provide high-quality, high-value offerings and attract the best people who play a pivotal role in creating value now and into the future. Our purpose and values drive our decision-making and encompass all our business activities, ensuring successful business outcomes that align with the group strategy and create long-term value.

OUR STRATEGIC OBJECTIVES

STRATEGIC OBJECTIVE	STRATEGIC INITIATIVES	PERFORMANCE AGAINST OBJECTIVES
GROWTH Demand for quality education continues to grow, therefore creating opportunity for growth.	**Growth execution** Growth is attainable by expanding our existing brands organically as well as through strategic acquisitions. This is combined with identifying new market segments to enter, exploring new channels to market and developing new products. By geographically identifying new locations, including in the rest of Africa, we extend our growth trajectory.	> **Acquired:** • Capsicum Culinary Studio; • Oxbridge group, a specialist distance provider; • University of Africa (2017); • Summit College; and • Glenwood House School. > **Opened:** • Founders Hill College; • Copperleaf College (2017); • Rosebank College Mega Campus; and • Rosebank College Polokwane Connected Campus. > **Capacity added on existing sites:** • 25 000m^2 added, resulting in a 6% capacity increase. > **New products developed:** • 13 new degrees accredited.
	Growth into the rest of Africa We acknowledge the enormous growth potential the rest of Africa holds for ADvTECH. We believe our products can make a positive impact whilst fulfilling the need for quality education. We aim to generate 30% of our revenue from outside South Africa by 2020.	> University of Africa acquisition effective 2017. > International Finance Corporation (IFC) collaboration benefit. > Actively assessing opportunities in the rest of Africa. > In-depth work done to identify and research markets and potential acquisitions. > Expanded the scale of Africa HR Solutions during the year, resulting in a significant increase in our customer base in 40 African countries.
EXCELLENCE THROUGH SPECIALISATION Specialising in high demand recruitment niches allows us to diversify our value proposition and mitigate the risk to our businesses in an economic downturn.	**Realising excellence** By targeting high demand niche markets with specialist skills and with a continuously refreshed candidate database, we are best positioned to meet our client needs.	> Continue to focus on the key niches of: • finance; • IT; • engineering; • supply chain; and • logistics. > 40 new African markets entered in the payroll niche.

	KEY CHALLENGES	RISKS	MITIGATION ACTIONS
	> Identifying the best available acquisitions and sites. > Slow growth economy. > Identifying new product segments with high employability demand. > Regulatory changes and delays outside of our control.	> Acquiring institutions that do not perform in line with expectations. > Planned growth could be hindered if suitable sites and acquisition targets are not found. > Growth could be limited due to a slow economic growth environment. > Lack of support from students for new products brought to market. > Compliance with regulatory requirements that are time consuming and costly which may result in project delays. > Competition for sites and acquisitions driving prices up. > High investment costs of projects that may underperform.	> Detailed market research is undertaken. > Thorough due diligence is conducted. > We constantly re-evaluate our products and pricing to ensure relevance and value for money. > New geographies are continuously investigated. > Expansion plans have been extended to include the mid-fee education market in addition to the premium market. > Research has shown that the distance education and tourism sectors have seen a growth spurt and continue to do so. Future demand and an increase for such is foreseeable. We are developing products in areas of high demand for employment. > We ensure that we have good knowledge of regulations so that we comply fully with them in the shortest possible time.
	> Finding acquisition opportunities in the rest of Africa. > South Africa is losing its status in the African community. > Different regulations compared to South Africa. > Currency fluctuations may impact on our return on investment.	> The negative perception of South Africa makes it difficult to conclude potential acquisitions. > Inexperience in dealing with local regulations could hamper operations and timelines. > Currency fluctuations may have an impact on the financial success of acquisitions. > Heightened political risk in certain African countries.	> ADvTECH's reputation and track record in delivering high quality education spans over several decades. > The IFC collaboration opens doors to existing markets as well as potential acquisitions through their expansive network and in-country knowledge. > Our preferred entry into new markets is through partnerships with established institutions with good management, local knowledge and operational experience. > Where possible, actions to mitigate against currency fluctuation will be put in place. > Investments will only be considered in politically and socially stable countries.
	> Evidence of industry convergence with non-traditional organisations providing recruitment services, increasing the competition in a market with a shrinking candidate base.	> Increasingly volatile economic environment has potential to reduce recruitment activity.	> By following a niche strategy, we build specialist knowledge which allows us to provide the best candidates to our customers. > Ongoing commitment to our unique market position allows us to persist through dynamic economic conditions and gives us confidence that we will be the preferred partner to clients and candidates in our niches. > Relentless focus on performance indicators allows us to deliver a high quality service.

OUR STRATEGIC OBJECTIVES CONTINUED

STRATEGIC OBJECTIVE	STRATEGIC INITIATIVES	PERFORMANCE AGAINST OBJECTIVES

ACADEMIC EXCELLENCE

Academic excellence is our main differentiating factor and a fundamental reason why parents and students choose an ADvTECH institution. This excellence is maintained by benchmarking our performance and actively researching and implementing the most appropriate and effective teaching and learning strategies for the contexts concerned.

To ensure academic excellence

We remain up to date with developments in pedagogy and supporting tools, including technology, implementing those that will drive improved academic performance. Performance is measured and benchmarked internally and externally. Learning analytics enable responsiveness and goal setting. We seek international and employer recognition for our institution, programmes and graduates.

Schools

- Moving Crawford students from the National Senior Certificate (NSC) to the Independent Examinations Board (IEB) matric examinations.
- Matric results:
  - 100% matric pass rate;
  - 2 562 distinctions;
  - 1.6 distinctions per student; and
  - 98% of matriculants qualifying for entrance into higher education institutions.
- Participation in the International Maths and Science Olympiad (IMSO) in which 11 science and two maths medals were won.
- A new "core skills" curriculum underpins the standard academic curriculum in all our schools.
- International benchmarking: Schools International Assessment Test (SIAT) and Victoria Curriculum Assessment Authority (VCAA).

Tertiary

- 29 138 full qualification students in 2016.
- 4 430 graduates in 2016.
- 81% of our degree graduates were employed within six months of graduation.
- Varsity College School of Finance and Accounting students achieved a pass rate of 85% on the SAICA Initial Test of Competence exam.
- Vega and Design School Southern Africa students made their presence felt in industry competitions by winning national accolades:
  - Four silver and three bronze Loerie Awards;
  - Two silver Pendoring Awards;
  - Golden Muse at PromaxBDA Africa Award;
  - Sappi Goldpack Award;
  - Winner at Decorex 2016 MMT Design Challenge;
  - Winner of the Nestlé Tertiary Media and Creative Choice Award; and
  - Two SA Fashion Week finalists.
- The Independent Institute of Education (IIE) is internationally accredited with the British Accreditation Council (BAC).
- The IIE has signed a memorandum of strategic intent with United Kingdom based distance education leader, The Open University (OU), to make distance education more accessible.

INNOVATION

The ability to innovate is crucial to the sustained success of our organisation and our attitude to change must drive our continued industry relevance.

Customer centricity

Proactively seek to understand customer learning experience requirements and strive to simplify their interactions with all parts of the business.

- Deployed real-time online chat to improve customer service and website efficiency.
- Designed and in the process of deploying a student portal, referred to as the Mosaic App, which will have a direct impact on customer experience.
- The pilot project for online registration functionality for IIE students was completed.
- Reducing physical IT infrastructure by deploying Office 365.
- Upgrading facilities to meet customer expectations through a targeted facilities management strategy.

Product innovation

Frequent product and market trend monitoring and interpretation that drives relevant and sustainable product development.

- Accredited a new Bachelor in Computer and Information Sciences degree: Game Design.
- Added core skills to curriculum to ensure real life relevance.
- Extended the online library and deployed a cloud based library management system.

Shared services

Building a trusted partnership that provides value adding services to enable our education and resourcing communities to focus on their core functions delivering the group strategic imperatives.

- Appointed shared services executive to drive operational effectiveness, customer centricity and cost efficiencies.
- Commenced the proof of concept phase aiming to demonstrate the value of shared services.

	KEY CHALLENGES	RISKS	MITIGATION ACTIONS
	> Recruiting and retaining the best teachers, lecturers and other academic staff. > Maintaining suitable standards of performance to protect differentiated position. > Entrenching new educational methods and strategies in the schools and tertiary institutes.	> Not being able to recruit and retain suitable teachers, lecturers and other academic staff. > Non-compliance with academic standards that result in poor student performance and/or student and parent/fee payer dissatisfaction. > Insufficient acceptance/recognition of our qualifications or graduates by employers or other educational institutions. > Results negatively impacted by a substantial curriculum shift or other change leading to reputational damage. > Non-compliance with education regulations.	> Maintaining and improving our excellent academic reputation enjoys consistent attention. We offer market related remuneration combined with good working conditions in order to attract and retain the best academic staff. > Our development programmes are based on local and international best practice. We regularly conduct performance reviews against measurable outcomes to ensure that our programmes remain relevant and effective. > Collaboration with existing IEB schools within the group to effectively train teachers by those who are familiar with IEB requirements to ensure student success as with CrawfordSchools™. > We ensure that we comply fully with all regulations.
	> Owing to a highly competitive market segment, it is increasingly difficult to understand customer needs, given the diverse choices available.	> Investing in technology which rapidly becomes obsolete as newer technologies are launched. > Investments into high-tech innovations that are not used to its full capacity will not deliver the desired benefits. > Issues with online registration system could impact the effective enrolment of students with a negative impact on revenue.	> Applying a robust methodology to assess the most appropriate application/system based on detailed business requirements prevents unsustainable investments. > Using a "proof of concept" driven implementation philosophy allows us to test the suitability, costs, benefits and usability of all technology before it is rolled out. > By leveraging a comprehensive testing approach we are able to ensure usability and suitability whilst also having an effective roll back plan to revert to the current registration process in case of a failure of the proposed system.
	> Fast pace of change in the employment market as new jobs are created and other jobs fall away.	> An ever evolving regulatory environment has the potential to increase the cost and slowing down the development and bringing of new educational material to the market.	> Through integrated planning and contingency management, we are able to respond accordingly. > Proactive stakeholder management enable us to nurture working relationships with regulatory authorities. > Staying abreast with the skills demand/trends in the employment market allows us to develop relevant education programmes.
	> Business readiness to adopt a "new way of working".	> Limited adoption of standard business process and policies.	> Regular and concise communication to affected employees will increase the levels of adoption and compliance. > Business process training to affected employees will drive understanding and improve adoption. > Benchmark processes against best practices and design the shared services accordingly. > Simplify and standardise processes to reduce complexity.

OUR STRATEGIC OBJECTIVES CONTINUED

STRATEGIC OBJECTIVE	STRATEGIC INITIATIVES	PERFORMANCE AGAINST OBJECTIVES
HUMAN CAPITAL PRODUCTIVITY Enhancing operational effectiveness by building and deploying unique skills and experiences to the relevant areas of the organisation.	**Skills development** Empowering employees with skills relevant to their current role and future career aspirations.	> R19 million skills development expenditure. > Management development programme – 42 participants. > Management toolkit training – 700 participants. > Encouraged 247 formal mentorship relationships.
	Employee value proposition To create the conditions to attract critical skills and retain high performance employees.	> Progressed from silver to gold standard of excellence in the Deloitte "Best Company to Work For" survey. > Improved score from 66% to 74% in the Top Employer certification.
	Graduate placement Actively ensuring that our academic offerings have "real world" application and students are immediately employable.	> Tertiary students placed in first jobs: 3 223 through the GEP. > Number of graduates employed within six months of graduating: • 81%. > Corporate social investment: • Bursaries – 9 853; and • CSI projects – 249. > Teacher training bursaries: • 50 students awarded; and • Nine of 15 graduates placed within ADvTECH schools.
CAPITAL PRODUCTIVITY Working proactively to optimise the return on the groups' investments.	**Return on investment** Identify the most appropriate investment opportunities and leverage the associated benefits while protecting and enhancing the respective assets for the best returns.	> Investigating a benefits tracking mechanism to be deployed to all investments. > Compiled a standardised and improved due diligence methodology. > Drafting a targeted asset and facilities maintenance strategy in order to reduce total cost of ownership. > Some tertiary institutions moved to new campuses with increased capacity which are better able to meet students' needs. > Aging facilities were revamped to improve the look and feel of our offerings in order to create a more compelling customer proposition. > New schools and tertiary campuses were opened or are planned to open in the coming years to increase capacity. > The measured roll-out of our expansion plan continues to be implemented. > Assessment of suitable opportunities in South Africa as well as other African countries is ongoing.

KEY CHALLENGES	RISKS	MITIGATION ACTIONS
> Staff retention remains an ongoing challenge to ensure that we benefit fully from our employees development programmes.	> Increasing operational pressure may limit employees opportunities to participate in skills development programmes and apply skills.	> Annual planning and prioritisation underpins the successful development of key skills in our employees so that we are able to deploy the right people, with the right skills, to do the right work. > Employment value proposition to increase employment retention rates.
> An evident shortage of critical skills is driving the "war for talent".	> A risk exists of not attracting or losing key skills in a competitive marketplace if our employee value proposition is not sufficiently compelling.	> Annual participation in Deloitte "Best Company To Work For" and Top Employer certification ensures a close focus on how to consistently improve employee practices and benefits.
> Low levels of economic growth continue to impact levels of employment and may reduce our ability to successfully place graduates.	> Shrinking market may limit our ability to assist graduates to find employment.	> By working proactively through business partnerships we are able to understand business needs and channel key skills. > Through the GEP we have created long standing relationships with employers, providing employment opportunities for our graduates.
> An inability to effectively track the benefits and realise the business case. > Unproductive use of capital where investments are made and are not performing in line with expectations.	> Unable to accurately assess the opportunity cost associated with an investment. > Unable to achieve the desirable internal rate of return.	> Applying key financial measures such as return on funds employed and internal rate of return assist us to assess the feasibility of potential investments. > Return on funds employed is measured and assessed on a regular basis. > To ensure the projects are on track, post capex reviews are preferred and where results show they are not meeting target, corrective actions are put into place. These also provide us with lessons learnt for future projects to reduce the risk and enhance returns. > By using the appropriate levels of borrowings, we leverage improved returns for our shareholders.

CHAIRMAN'S LETTER

DEAR SHAREHOLDERS

ADvTECH DELIVERED EXCELLENT RESULTS, DESPITE THE DIFFICULT ECONOMIC CLIMATE IN WHICH WE ARE OPERATING. IT IS A TRIBUTE TO THE STRENGTH OF ADvTECH'S MANAGEMENT WHO ARE COMMITTED TO REALISING THE GROUP'S CLEARLY ARTICULATED STRATEGIC OBJECTIVES, THE QUALITY OF OUR OFFERING AND THE STRONG RELATIONSHIPS WITH OUR STAKEHOLDERS.

Chris Boulle Chairman

Macroeconomic concerns continued in 2016. Recent political events such as Brexit, the US presidential election, fears about China's economic slowdown, a volatile currency and the Bank of Japan implementing a negative interest rate policy, have all had a ripple effect on a global scale, not least on the South African economy. Locally, factors such as the severe drought, political uncertainty and the threat of a sovereign debt downgrade all resulted in low growth, investment and trade for most of the year. Unfortunately, at the time of writing, despite much improved rains and the promise of very modest growth, there are few indications that this will be a much better year for South African businesses and consumers.

South African tertiary education remained in the spotlight as *#feesmustfall* protests continued nationwide at the country's leading public sector universities. Government has made additional funding available, but the strain on public universities' finances continues. The demand for free tertiary education will not be met in 2017, raising the possibility of further student protests.

Despite the challenging macroeconomic environment, the group remains well positioned for growth as demand for quality schooling remains resilient both in established suburbs and new housing growth nodes. The group's board approved expansion plan is being rolled out systematically. A second ADvTECH Academies greenfield project was completed and expansion and refurbishment of schools and tertiary campuses is ongoing. The growth in student numbers bears testament to the public's confidence in the quality of our academic offerings, which, notwithstanding the envisaged rapid expansion of the group, will continue to be maintained. Mention also needs to be made of the resilience of the resourcing division, which held its own in a depressed employment market.

A significant development in 2016 was the establishment of a partnership with the International Finance Corporation (IFC), a member of the World Bank Group, the largest global development institution that focuses exclusively on the private sector in emerging markets. Recognising ADvTECH's leading role in providing quality education, the IFC invested in the group through a share subscription and by acquiring further shares on the open market. The IFC's total holding of the company sits at around 4%.

The IFC's investment is intended to support ADvTECH's existing plans to expand into new African markets to help meet the growing educational needs of Africa's youthful population. In addition to their current investment and the access to further capital, the IFC affords ADvTECH access to an invaluable network of in-country experts, education officials and potential partners.

To better understand our shareholders' needs, we conducted an analysis through Brunswick, an international advisory firm specialising in corporate relations. The results led us to change the way in which we communicate and share information with our shareholders. These changes have received positive feedback and, together with our good results, is one of the factors that has contributed to record highs in our share trading.

This report covers the first full financial year under our new CEO, Roy Douglas' leadership. The continued growth and excellent results of the group are a tribute to Roy, his executive team and our employees. On behalf of the board of directors, I thank the 5 916 employees of the group for their outstanding contribution and dedication. As Roy clearly stated in his report, an absolute imperative is our unwavering commitment to the quality of our offerings. We also acknowledge that none of our continued success would be possible without the foundations established by those who have come before us.

I also wish to thank my fellow board members for their valuable, constructive input and guidance. I am pleased to announce the appointment of Dr Jacqueline Chimhanzi and Dr Jane Hofmeyr as independent non-executive board members, effective 1 January 2017. Dr Chimhanzi holds a PhD from Cardiff Business School, UK, and is currently the CEO of the African Leadership Institute. Dr Hofmeyr, who holds a PhD in Education Policy Studies, is an independent education and development consultant with 30 years of experience and research in public and private education. For 15 years, she headed the Independent Schools Association of Southern Africa (ISASA). Their appointments will be confirmed by shareholders at the annual general meeting in May 2017.

Finally, I wish to thank all our other stakeholders for their continued support and engagement.

Sincerely

Chris Boulle
Chairman

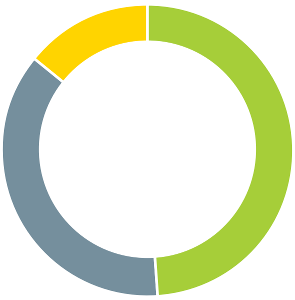
The IFC's investment is intended to support ADvTECH's existing plans to expand into new African markets to help meet the growing educational needs of Africa's youthful population.

CEO'S REPORT

CONTINUED DEMAND GENERATED BY THE EXCELLENT REPUTATION OF ADvTECH'S BRANDS HAS DELIVERED A STRONG RESULT IN BOTH THE SCHOOLS AND PRIVATE UNIVERSITY BUSINESSES.

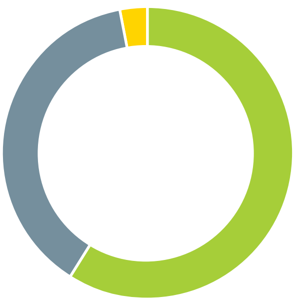
Roy Douglas Chief executive officer

DIVISIONAL CONTRIBUTION TO GROUP REVENUE (%)



49% Schools
37% Tertiary
14% Resourcing

DIVISIONAL CONTRIBUTION TO GROUP OPERATING PROFIT (%)



59% Schools
38% Tertiary
3% Resourcing

In the past few years we have seen strong growth in South Africa and increasing opportunities abroad. ADvTECH is today a substantially different business compared to just a few years ago.

Highlights of the year include a number of strategic acquisitions, expanding our footprint outside of South Africa, increasing our schools presence in the Western Cape and growing our position in the distance education sector. The investment by the International Finance Corporation (IFC), a member of the World Bank Group, was an important milestone for the group and supports our growth strategy with a particular focus on sub-Saharan Africa. We will partner with the IFC and utilise their invaluable network of in-country experts and stakeholders in these target markets to identify quality local education partners to invest in.

The success of the introduction of blended learning models and our application of new technology is encouraging. Our future plans include a rapid expansion built on this secure foundation. In addition, our excellent matric results and the fact that 81% of our tertiary students found employment within six months of graduating, clearly indicates the quality of our academic qualifications which are valued by employers.

In addition to organic growth, tertiary student numbers were boosted by more than 800 with the acquisition of Capsicum Culinary Studio which is spearheading our development of the hotel, hospitality and tourism education offerings. The recent purchase of a majority stake in distance learning specialist, the Oxbridge group has brought approximately 21 000 additional registered distance learning students into the fold. Distance education offers many opportunities for growth. ADvTECH continues to invest in technology to transform our learning and teaching methods and increase online content to support our distance learning students.

The group continues to make good progress in growing its leading market position, increasing its presence in mid-fee schools and pursuing an ambitious yet considered organic and acquisitive growth strategy in South Africa and elsewhere in Africa.

Performance review

ADvTECH's success and level of investment speaks to our confidence in the potential of the private education sector in South Africa and the rest of the continent. Revenue increased by 24% to R3.4 billion (2015: R2.7 billion) and trading operating profit has increased by 30% to R585 million (2015: R448 million) with trading operating margins improved from 16.6% to 17.4%.

The resourcing division had a challenging year reporting a decline in operating profit. Important to note is that there was a visible improvement in the second half of 2016, a positive trend that has continued into the first quarter of 2017.

With the significant growth of our group, we are reassessing operational systems and processes in line with our strategic objectives and we anticipate realising significant benefits from this review. To implement such operational efficiency and services, a shared services executive with experience in business transformation was appointed to the group.

ADvTECH enrolment growth at the end of February

Enrolments	February 2014	February 2015	February 2016	% increase	**February 2017**	% increase
Schools*	13 541	22 877	24 199	6%	**26 713**	10%
Tertiary full qualifications	20 113	24 332	29 138	20%	**33 463**	15%
Total	33 654	47 209	53 337	13%	**60 176**	13%

* *Schools: 2015 – 2017 excludes Maragon Edendale (management contract discontinued)*

** *The February 2017 Schools enrolments includes Elkanah House, an acquisition which is still subject to a due diligence and competition commission approval*

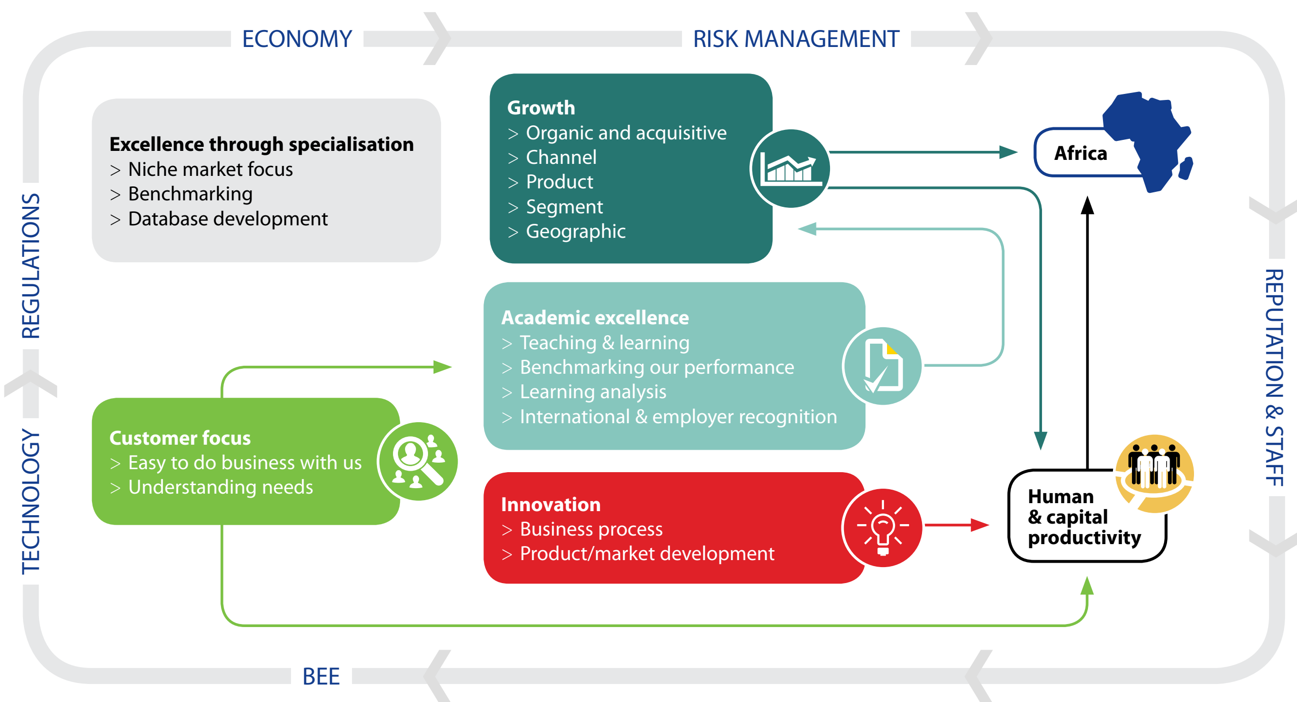
Strategic imperatives

While we are aware of the opportunities and are determined to grow, at the heart of our strategy is our absolute commitment to academic and recruitment excellence. In everything we do, we aim to retain the confidence of all our students, parents, prospective recruitment candidates, employees and shareholders. We are aware that the indisputable quality of our offerings has been the main contributor to the group's success. New and existing clients, alumni, students, parents and all our other stakeholders rely on our ability to stay at the forefront of developments in education, training and placement.

Apart from strategic acquisitions, the group will continue to invest in existing schools and campuses, enabling us to enrol higher numbers of students in line with our growth expectations.

A significant challenge for us, and one which is particularly relevant in these difficult economic conditions, is to ensure that our quality educational offerings are affordable and remain within reach of our target markets while maintaining our commitment to excellence. At the IFC's 7th Global Private Education Conference, it was pointed out that productivity improvements in education differed from other fast growing sectors; the latter achieve significant productivity gains whereas in education, costs have risen ahead of inflation. At ADvTECH we are meeting this challenge through innovation, product and market developments, reassessing business processes and shared services.

The diagram below illustrates these imperatives:



CEO'S REPORT CONTINUED

Growth is a key objective but with a multitude of opportunities available to us, we are mindful of the risks and adopt a careful and considered approach when evaluating each and every project. Educational and legal specialists help ensure that we comply with the myriad of regulations applicable to our industry. Our operational divisions ensure that acquisitions are in line with our strategy and meets our commercial expectations with the entire process being overseen and vetted by our investment committee.

Given that education is highly prized, particularly in emerging markets, we expect growth to continue despite difficult economic conditions. The private sector has an important role to play in the upliftment and development of society. With ADvTECH's moves into the mid-tier, technology-enabled and vocational education markets, as well as our focus on bursaries and quality teacher training, we are well placed to contribute further to development whilst continuing to enjoy good growth.

Schools division

ADvTECH is a leader in the premium independent schools sector. At the end of February 2017, the division consisted of 90 schools across 47 campuses under seven education brands.

Our existing schools performed well and showed continued profit growth. We anticipate that this performance will be enhanced by our acquisitions. The Summit College acquisition which was concluded in 2016, will be included in the results from 2017. Founders Hill College, a greenfield project, also opened in Modderfontein in January 2016. Copperleaf College in Centurion, ADvTECH Academies' second greenfield development, opened in January 2017. The strategic acquisition of Glenwood House (George) and the Elkanah House schools (Cape Town), subject to due diligence and competition commission approval, strengthens our position in the Western Cape and jointly will add approximately 2 000 students effective January 2017.

Our Independent Examination Board (IEB) students achieved a 100% matric pass rate and averaged 1.8 distinctions per student. Our NSC matric students achieved a 99% pass rate compared to the national pass rate of 73% and averaged 1.0 distinctions per student. Combined 98% of our students qualified for entrance into higher education institutions. Of note is the academic improvement shown at both Maravest and Centurus schools since they were acquired by ADvTECH, a direct result of our interventions, particularly the teacher development programmes.

Schools capacity – end of February

	February 2015	February 2016	**February 2017**
Students enrolled ('000)	22,9	24,2	**26,7**
Existing building capacity ('000)	26,9	28,6	**31,2**
% Existing building capacity utilised	85%	85%	**86%**
Ultimate potential site capacity ('000)	34,3	37,0	**41,5**
% Ultimate potential site capacity utilised	67%	65%	**64%**

* *Maragon Edendale removed from 2015 to 2017, as management contract has been discontinued*

** *The February 2017 Schools enrolments and capacity includes Elkanah House, an acquisition which is still subject to a due diligence and competition commission approval*

Tertiary division

ADvTECH owns the country's largest registered private higher education provider, The Independent Institute of Education (IIE). The IIE is responsible for the academic leadership and governance in the group. The IIE is not only the country's largest private provider but is also the only such provider accredited by the British Accreditation Council (BAC) in South Africa giving it a concomitant competitive advantage. This is in addition to the IIE's registration with the Department of Higher Education and Training (DHET) and its accreditation by the Higher Education Quality Committee (HEQC).

In recent months, there have been media reports around the future establishment of "private universities". In terms of the Higher Education Act registered and accredited private higher education institutions are currently not legally allowed to call themselves "universities". South Africa has a unitary quality assurance system in which one committee applies the same criteria for accreditation to the qualifications of private and public institutions. All higher education qualifications such as degrees, whether from a public university or a private higher education institution, are therefore accredited and registered in the same way. In effect, the talk of creating or establishing "private universities" is misleading. Our institutions have been offering degrees, honours and masters programmes which are fully accredited and with the same standing as those offered by public institutions. The only difference is that we may not call our institutions a university and regulatory changes that would enable private education providers to call themselves universities would be welcome, as we believe the current practice discriminates against and disadvantages students studying at private institutions.

The quality assurance, academic management and governance system of the IIE mirrors that of public universities. However, innovation in the development of new qualifications, approaches to teaching and learning and provision of sound student support and service distinguish the IIE from its peers giving ADvTECH a distinct competitive advantage.

The division performed well with continued strong organic growth. New product formats such as Rosebank College's Connected Campus in Polokwane and tactical acquisitions complemented this growth. Overall full qualification student numbers grew by 20% in 2016, indicating that our tertiary offerings are meeting the demand for post-school qualifications that are in line with employer demand. Our exploration of new products and opportunities to make quality tertiary education accessible to more students in a slow growth economy is ongoing.

The growth in student numbers is testament to the public's confidence in the quality of our offerings. The IIE's rigorous adherence to legislative requirements, coupled with our innovative teaching methodologies and more personalised learning, provides an exceptional foundation on which to base further growth and expansion.

Resourcing division

The resourcing division is operating in a difficult market where the tough economic conditions were compounded by a number of external shockwaves, such as the removal of Finance Minister Nene, which adversely affected business confidence. Whenever such external shocks occur, they result in a significant delay in the completion of appointments. However, our focus in specialist niches provides some resilience in weathering economic downturns and we have been able to ride out this period of sluggish economic growth better than most similar businesses.

In addition to its specialist permanent recruitment focus, and in order to drive more predictable earnings, the division has embarked on a strategy to increase contracting revenues in its key markets, which is gaining momentum both locally and in the rest of Africa.

The 51% partnership with Africa HR Solutions, a contracting business based in Mauritius, has helped to diversify dependence on the South African recruitment market and in 2016 generated R160 million gross revenues in US dollar currency.

Our people

The growth that we anticipate requires not only financial resources but is highly dependent on the right combination of people and skills.

ADvTECH is fortunate that so many of our staff are professionally qualified, meaning we have a wealth of intellectual capital in our ranks. We continue to make considerable investments in our people having spent R19 million on training and development (2015: R11 million). Our development programmes, which fall under our ADvTALENT initiatives, are continually reviewed and refined, ensuring that our people are able to provide quality service at all times.

We also aim to identify and develop key employees and high potential individuals within the ADvTECH group. Identified employees participate in our structured management and leadership development programmes, and we actively encourage further academic study. All these interventions in turn support the business and its performance. In 2016, 42 employees participated in the MDP programme.

We are proud to have received both the international Top Employer certification and the golden seal for the Deloitte "Best Company to Work For" survey. I am pleased to report that in 2016 our ratings improved for both the Deloitte "Best Company to Work For" and the Top Employer certification. But we will not rest on our laurels. ADvTECH will keep striving to improve and remain an employer of choice in order to attract and retain the best candidates to deliver on our value propositions.

It is a great privilege to work alongside people of such calibre and it is immensely satisfying that the group is making a contribution towards addressing the fundamental challenges and opportunities in education and job creation.

Further detail of our staff development and our transformation programmes are given in the sustainability report on our website www.advtech.co.za.

Prospects

We continue to see numerous opportunities both at home and abroad for our continued growth. In our core markets we expect organic and greenfield growth to continue despite the fact that competition has increased and difficult economic conditions remain. We are also excited by opportunities available in new market segments and through new product offerings. In addition, our investigations into new regions is providing us with even more opportunities and this we believe will enhance our business performance and diversify our portfolio.

ADvTECH is committed to being a dynamic company that focuses on excellence in all that it does and creating value for all our stakeholders.

RJ Douglas
Chief executive officer

FINANCIAL DIRECTOR'S REPORT

THE ADvTECH GROUP CONTINUED TO DELIVER ON ITS STRATEGIC PRIORITY OF ACCELERATED GROWTH AND CONSIDERED EXPANSION DURING THE 2016 FINANCIAL YEAR. THESE SOLID FINANCIAL RESULTS INDICATE DELIVERY IN LINE WITH OUR STRETCH TARGET OF R1 PER SHARE EARNINGS FOR 2018 AND WERE DELIVERED ON THE BACK OF STRONG PERFORMANCES FROM THE SCHOOLS AND TERTIARY DIVISIONS.

Didier Oesch Group financial director

Review of group results

The long standing litigation matter with the Welihockyj family was settled during the year, and the summarised consolidated statement of profit or loss, excluding the benefits of the settlement, presented below reflects the excellent trading results.

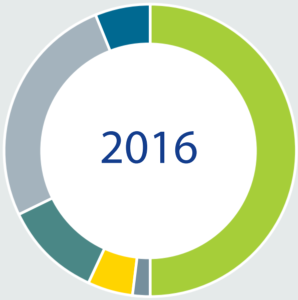
R'm	Percentage increase	**31 December 2016**	31 December 2015
Revenue	24%	**3 353.1**	2 707.7
Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA)	29%	**717.1**	557.9
Operating profit before interest	30%	**584.6**	448.3
Net finance costs paid		**(87.2)**	(119.7)
Interest received		**12.6**	7.1
Finance costs		**(99.8)**	(126.8)
Profit before taxation	51%	**497.4**	328.6
Taxation		**(147.0)**	(102.5)
Profit for the year	55%	**350.4**	226.1

Revenue growth of 24% to R3.4 billion (2015: R2.7 billion) was achieved due to the increased scale of all three divisions. The schools division improved revenue by 15% to R1.6 billion through organic growth while also benefitting from the Maravest group's earnings being included for the full year, compared to only eight months in 2015. The tertiary division's revenue increased by 28% to R1.3 billion as they continued to grow enrolments, with the majority being achieved through organic growth in our existing brands. The balance comes from the acquisitions of distance-learning specialist the Oxbridge group and Capsicum Culinary Studio which were included from 1 July 2016. The resourcing division's revenue grew by 55% to R461 million as a result of acquisitions while the existing brands retained their market share in a stagnant economy.

Strong revenue growth enabled the group to increase trading operating profit by 30% to R585 million (2015: R448 million), while the continued benefit from economies of scale and improved efficiencies resulted in the trading operating margin improving from 16.6% to 17.4%. The schools division operating profit increased by 16% to R345 million and maintained its operating margin. The tertiary division increased operating profit by 67% to R223 million and operating margins from 13.7% to 17.8%, as the continued improvement in enrolments allowed for better utilisation of facilities. Due to the tough trading environment, the resourcing division's operating profit declined by 31%, with operating margins down from 9.8% to 4.4%, largely due to the inclusion of the new acquisitions which have a lower margin business model.

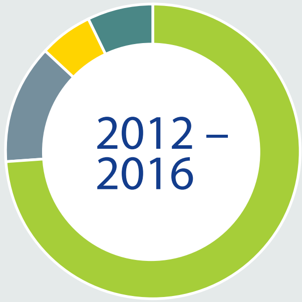
Finance costs decreased to R87 million (2015: R120 million) as a result of the reduction in group debt following November 2015's R850 million rights issue and the issue of shares to the International Finance Corporation (IFC). This, together with the decrease in the taxation rate, resulted in trading profit for the year increasing by an impressive 55%. The normalised earnings per share increase of 24% to 66.7 cents (2015: 53.9 cents) reflects the increase in the weighted average number of shares in issue, as a result of the rights issue and the issue of shares to the IFC.

CAPACITY AND YEAR OF DEVELOPMENT (%)



50% Older capacity
2% Capacity created in 2012
5% Capacity created in 2013
11% Capacity created in 2014
26% Capacity created in 2015
6% Capacity created in 2016

INVESTMENT PROGRAMME (%)
Infrastructural investments made (R2.7 billion)



74% School properties
13% Tertiary properties
6% ICT equipment
7% Other infrastructural equipment

Investments

The group's commitment to achieve its strategic goal of ambitious yet considered growth, lead to significant acquisitions being concluded in 2015. The main focus for the current year was to integrate these acquisitions into the group. However, we have continued to increase capacity through capital expenditure to expand existing school sites, as well as concluding acquisitions in the tertiary sector. This has delivered significant growth in student capacity and numbers. The group will continue seeking to acquire businesses that complement its core operations and enables growth in the markets within which it operates.

The total investment amount of R461 million increased capacity by 6%. Importantly half of the group's entire capacity has been added in the last 5 years as the expansion programme gains momentum. The elements that constitute the major activities in the group's investment programme are summarised below.

Investment	R'm
Acquisition of Capsicum Culinary Studio	58
Acquisition of a 51% stake in the Oxbridge group	41
Capital expenditure	362
Total	461

The main components of the capital expenditure programme were the development of a greenfield site in Centurion for Copperleaf College and a new CrawfordSchools™ pre-primary in Lonehill, as well as the expansion of the Founders Hill College and Trinityhouse Little Falls schools. Additional sites were also acquired for future development of schools. Through acquisitions and capital expenditure, the capacity of the schools division increased by 7% and we are now able to accommodate 31 000 students. Investments are planned to increase existing sites' capacity to accommodate a further 10 000 students. In addition, plans are in place to develop new landbanked sites to create capacity for an additional 9 000 students.

Working capital and cash flow

The group has an inherently negative working capital model due to fees being payable in advance, while most costs are payable in arrears. Negative working capital amounted to R333 million at year-end (2015: R373 million) with the reduction compared to last year mainly due to increased trade receivables resulting from the acquisitions. Notwithstanding this, trade receivables were well managed, increasing only by 22% compared to growth in revenue of 24%.

Free operating cash flow before capex grew by 41% to R478 million and amounted to a 128% cash conversion of earnings. Cash generated by operating activities increased by 27% to R709 million, and together with financing inflows of R67 million, has enabled the payments of investments and capex of R441 million, financing costs of R82 million, taxation of R160 million and dividends of R165 million.

Capital structure to support the accelerated investment programme

Net borrowings have reduced to R1.1 billion (2015: R1.2 billion), which equates to approximately 1.5 times (2015: 2 times) EBITDA, while gearing has reduced to 41% (2015: 51%). The reduced gearing, together

FINANCIAL DIRECTOR'S REPORT

with the group's inherently strong organic cash flow, which is expected to increase in line with earnings growth, positions the group well to fund its future investment programme and enables it to consider significant additional growth opportunities while keeping an appropriate level of gearing to leverage an improved return for shareholders. The group is well within covenants at year-end and has sufficient financial capacity to continue with its expansion strategy.

Dividends

The group has declared a final dividend of 19.0 cents (2015: 17.0 cents) per share which, together with the interim dividend of 13.5 cents (2015: 12.5 cents) per share, brings the total dividends for the year under review to 32.5 cents (2015: 29.5 cents) per share. In determining the level of dividend, the directors have considered the funding required to roll out the group's investment programme while maintaining an interim and final dividend. Taking this into account, and after careful consideration of the cash-generative characteristics of the group and the current debt levels, the directors believe it prudent to increase the dividend cover. The dividend payout ratio has therefore been increased to 2.1 (2015: 1.8) times relative to normalised earnings.

Appreciation

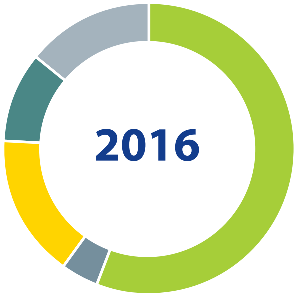
I would like to thank our shareholders and funders who have provided the means and support for us to carry out our expansion programme.

I would also like to thank the financial staff across all our divisions in the group for their commitment to accurate and relevant financial reporting. Your diligence and commitment is critical to our ability to provide high quality information that informs the decision-making of management, the board and our stakeholders.

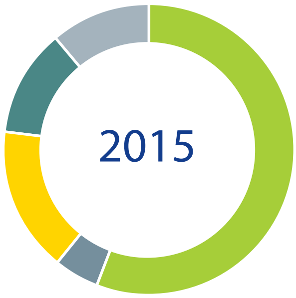
Didier Oesch
Group financial director

VALUE ADDED STATEMENT
for the year ended 31 December 2016

VALUE DISTRIBUTION



56% Employees
4% Social responsibility
16% Government
10% Providers of capital
14% Reinvested in group



56% Employees
5% Social responsibility
16% Government
12% Providers of capital
11% Reinvested in group

	2016 R'm	2015 R'm
Value added		
Revenue	**3 353.1**	2 707.7
Interest received	**12.6**	7.1
Cost of providing services	**(813.0)**	(682.7)
	2 552.7	2 032.1
Value distribution		
Employees		
Net benefits paid to employees	**1 425.5**	1 137.7
Social responsibility		
Corporate social investment and bursaries	**112.4**	103.3
Government	**411.4**	330.5
Government taxes	**149.8**	104.4
Net VAT paid	**5.8**	23.3
PAYE	**255.8**	202.8
Providers of capital	**259.0**	243.9
Finance costs	**94.3**	126.8
Distributions to shareholders	**164.7**	117.1
Reinvested in the group		
Retained to sustain and grow the group	**344.4**	216.7
	2 552.7	2 032.1

BRAND OVERVIEW

SCHOOLS

BRAND	DESCRIPTION	NO OF SCHOOLS*	EST	LOCATION	CURRICULUM
CrawfordSchools Pre-Primary · Preparatory · College	**CrawfordSchools™** is a trailblazer in innovative and forward-thinking education, offering well rounded contemporary education from grade 0000 to 12 in pre-primary, preparatory and college. Every student is acknowledged and offered the opportunity to excel. The child-centred approach inherent in every school ensures that students examine and realise their own potential, ensuring every child is a masterpiece. **www.crawfordschools.co.za**	20	1993	Gauteng and KwaZulu-Natal	South African Curriculum Assessment Policy Statements (CAPS) Independent Examinations Board (IEB)
TRINITYHOUSE Pre-Primary • Preparatory • High	**Trinityhouse** is founded on Christian principles, and traditional values and comprises of pre-primary, preparatory and high schools. Its students are offered a healthy balance of academic, sports and cultural activities within a structured, secure and disciplined environment from grade 000 to grade 12. **www.trinityhouse.co.za**	16	1997	Gauteng, KwaZulu-Natal and Western Cape	CAPS IEB
CENTURUS colleges	**Centurus Colleges** is a family of independent, co-educational schools providing superior education services for children of varied abilities, embracing diversity and change in pursuit of academic, sporting and cultural excellence. The schools provide a dynamic and progressive education for the individual needs of the students from grades 0000 to 12 in pre-preparatory, preparatory and high school, as well as offering boarding. **www.centuruscolleges.co.za**	9	2005	Gauteng and North West	CAPS IEB
Junior colleges	**Junior Colleges** is a brand of nursery schools that provide superior quality education and care to children aged from six weeks to six years. A formal curriculum which creates a meaningful and happy early learning experiences in a safe environment and which prepares students exceptionally well for their entry into formal education. **www.juniorcolleges.co.za**	8	1979	Gauteng and KwaZulu-Natal	Early Years Foundation Stage (EYFS) Reggio
ABBOTTS COLLEGE Senior High School	**Abbotts College** recognises the individual needs of its students and helps them to develop their full academic potential in an inclusive, caring and focused environment. Catering for Grade 8 to 12 students, the college helps high school students achieve their best possible results by combining methods of expert teaching, pure academic focus and unique processes. **www.abbotts.co.za**	6	1971	Gauteng and Western Cape	CAPS National Senior Certificate (NSC)
MARAGON / MARAVEST	**Maragon Schools** combines excellence with a Christ-centred education whilst maintaining a healthy balance across all disciplines. The schools maintain high academic, cultural and sporting standards in pre-primary, primary and high school from grade 0000 to 12. **www.maragon.co.za**	9	1999	Gauteng	CAPS IEB
	Charterhouse is an independent, co-educational school with long standing traditions. The school has a commitment to the all-round development of each student from grade 000 to 7, aimed to build them to be the cause of their own success. **www.charterhouse.co.za**	2	1976	Gauteng	Cambridge International Primary

BRAND	DESCRIPTION	NO OF SCHOOLS*	EST	LOCATION	CURRICULUM
ADvTECH Academies**	**Gaborone International School** provides an excellent English medium education with attention given to learners' academic, physical and moral needs. The school offers affordable private education from reception and crèche through to standard 1 to 7, and secondary education from form 1 to 4. **www.gaboroneinternationalschool.co.bw**	3	1991	Botswana	Botswana National Syllabus (PSLE) Cambridge International General Certificate of Secondary Education (IGCSE)
	Kathstan College offers a mainstream education in a supportive and inclusive environment and are committed to providing the best education and environment for each student. Teachers work on each child's strengths as well as their weaknesses, ensuring each student is given the attention they require from Grade 000 to 12. **www.kathstancollege.co.za**	3	1988	Gauteng	NSC
	Founders Hill College provides a sound academic footing whilst preparing pupils for life beyond matric. This is done through a focus on the delivery of an excellent academic programme as well as a strong extramural offering from grade 0000 to 9. **www.foundershillcollege.co.za**	3	2016	Gauteng	CAPS
	Copperleaf College in Centurion provides a sound academic footing whilst preparing pupils for life beyond matric. This is done through a focus on the delivery of a excellent academic programme as well as a strong extramural offering from grade 0 to 7. **www.copperleafcollege.co.za**	2	2017	Gauteng	CAPS
	Summit College delivers an overall educational experience that effectively prepares learners for citizenship and allows learners to unlock their individual full potential. The school provides inclusive co-educational learning in a nurturing environment for grades 0000 to 12. **www.summitcollege.co.za**	3	1989	Gauteng	CAPS IEB

* *Numbers as at 28 February 2017, schools shown by phase.*

** *ADvTECH Academies is the umbrella brand to multiple schools, each with an ethos that reflects the needs of the local community. Each school retains its own identity but benefits from the expertise of the ADvTECH Academies Management.*

Please refer to our website **www.advtech.co.za** for an interactive map of our site locations.

BRAND OVERVIEW CONTINUED

TERTIARY

BRAND	DESCRIPTION	NO OF SITES*	EST	LOCATION	ACCREDITATION AND ENDORSEMENTS
THE INDEPENDENT INSTITUTE OF EDUCATION IIE	**The Independent Institute of Education** (IIE) is responsible for the academic leadership and governance in the group. As a national provider, the IIE oversees a total of 20 education sites in the group. **www.iie.ac.za**		2005	Gauteng	The Department of Higher Education (DHET) British Accreditation Council (BAC) Open University (OU) Higher Education Quality Committee (HEQC) South African Institute of Chartered Accountants (SAICA) Chartered Institute of Business Management (CIBM) Federated Hospitality Association of South Africa (FEDHASA) Hochschule für Gestaltung (HfG)/University of Art and Design in Offenbach The African Institute of the Interior Design Professions (IID) partnership The Design Education Forum of Southern Africa (DEFSA) Autodesk, Inc. Project Management South Africa (PMSA) Microsoft IT Academy Public Relations Institute of South Africa (PRISA) Chartered Institute of Management Accountants (CIMA) The Marketing Association of South Africa (MA(SA)) The Digital Marketing Institute
IIE ROSEBANK COLLEGE	**Rosebank College** offers an affordable and unique urban higher education experience with campuses located in the heart of city centres. A focus on courses that are fully integrated with work experience, ensures its graduates are ready to step into the work environment. **www.rosebankcollege.co.za**	5	1948	Gauteng, KwaZulu-Natal and Limpopo	
IIE Varsity College	**Varsity College** is a premium education brand based on a uniquely progressive approach to teaching, learning and development. This student-centric approach focuses on academic excellence, pioneering teaching practices, all-encompassing student support and authentic student life experiences. FLB has been incorporated into the Varsity College offering. **www.varsitycollege.co.za**	8	1991	Gauteng, Eastern Cape, KwaZulu-Natal and Western Cape	
IIE vega SCHOOL DESIGN • BRAND • BUSINESS	**Vega** produces graduates who are able to design and create original strategic solutions to brand challenges in business and society. **www.vegaschool.com**	4	1999	Gauteng, KwaZulu-Natal and Western Cape	
IIE the design school southern africa	**The Design School Southern Africa** offers educational training in graphic, fashion and interior design, delivers design knowledge and experiences that unlocks students' individual creative potential and shapes well-rounded, accountable, industry-leading designers. **www.designschoolsa.co.za**	3	1990	Gauteng and KwaZulu-Natal	
IIE THE BUSINESS SCHOOL AT VARSITY COLLEGE	**The Business School** is a part of Varsity College that delivers a variety of IIE and external programmes, from corporate workshops and short learning programmes to part-time qualifications, aimed at working adults. **www.thebusinessschool.co.za**		1991	Gauteng, Eastern Cape, KwaZulu-Natal and Western Cape	

BRAND	DESCRIPTION	NO OF SITES*	EST	LOCATION	ACCREDITATION AND ENDORSEMENTS
Capsicum CULINARY STUDIO	**Capsicum Culinary Studio** is South Africa's largest chef school. The professional courses offered are internationally accredited and allow graduates entry into the global marketplace. Capsicum's purpose is to support students in developing the key skills, qualities and attitudes required for a successful career in the culinary arts industry. **www.capsicumcooking.com**	6	2003	Gauteng, Eastern Cape, KwaZulu-Natal and Western Cape	City & Guilds (UK) World Association of Chefs' Societies (WACS) Swiss Education Group (SEG) The South African Chefs Association (SACA) The Quality Council for Trades & Occupations (QCTO)
Oxbridge Academy	**Oxbridge Academy** provides the opportunity for students to study a wide range of nationally and internationally recognised courses and qualifications from home. The distance learning model enables students to work and gain practical experience while they gain relevant theoretical knowledge through their studies. **www.oxbridgeacademy.co.za**	1	1997	Western Cape	Oxbridge Academy is registered and/or accredited by various bodies in the education sector, including: DHET, QCTO, UMALUSI Institute of Certified Bookkeepers (ICB) Education, Training and Development Practices Sector Education and Training Authority (ETDP SETA) Association of Private Providers of Education Training and Development (APPETD) South African Institute of Occupational Health and Safety (Saiosh)
University of Africa	**The University of Africa** is a private open distance learning tertiary institution with an expanding portfolio of faculties and programmes, ranging from diplomas to PHDs. As a pan-African university, the university's mission is to respond to the actual and realistic needs of students who want to empower themselves, their families, communities and countries. **www.universityofafrica.net**	1	2007	Zambia	The Zambian Ministry of Education, Science, Vocational Training and Early Education

** Number of sites as per 28 February 2017*

Please refer to our website **www.advtech.co.za** for an interactive map of our site locations.

BRAND OVERVIEW CONTINUED

RESOURCING

BRAND	DESCRIPTION	NO OF SITES	EST	LOCATION	ASSOCIATIONS
NETWORK RECRUITMENT	**Network Recruitment** comprises of three specialist areas: Network engineering, Network finance and Network IT recruitment, and has 30 years' experience in offering optimum permanent staffing solutions to both clients and candidates in these industry sectors. **www.networkrecruitment.co.za**	3	1987	Gauteng	The Federation of African Professional Staffing Organisations (APSO) The Chartered Institute of Management Accountants (CIMA) College of Chartered Accountants
Brent	**Brent Personnel** has been in existence for 38 years and provides customised permanent, temporary and contract staffing solutions to the finance and office support industries. **www.brent.co.za**	1	1978	Gauteng	Association of Chartered Certified Accountants (ACCA) APSO The Confederation of Associations in the Private Equity Sector (CAPES)
Communicate Recruitment	**Communicate Recruitment** is a specialist recruitment company with over three decades of experience. We *connect great people* in the engineering, finance, IT and supply chain/freight industries throughout Africa. We partner with our clients and candidates and introduce them to exceptional people and opportunities on a permanent, contract or temporary basis. **www.communicate.co.za**	5	1982	Gauteng, KwaZulu-Natal and Western Cape	APSO CAPES
cassel&co	**Cassel & Company** has a track record of service excellence that spans 27 years and offers premier permanent, temporary and contract staffing solutions in accounting and finance. **www.cassel.co.za**	1	1989	Gauteng	South African Institute of Professional Accountants (SAIPA) APSO
Financial Appointments	**CA Financial Appointments** has earned the reputation as a preferred recruiter in the accounting field. Striving to deliver on quality, the brand delivers within client expectations with each unique placement. **www.ca.co.za**	1	1997	Western Cape	APSO CIMA
TECH-PRO	**Tech-Pro Personnel** is the unrivalled leader in supply chain management recruitment and is actively involved in the development of this profession in South Africa. The brand offers permanent staffing solutions in logistics, planning, procurement and technology. **www.tech-pro.co.za**	1	1997	Gauteng	The Association for Operations Management of Southern Africa (SAPICS) SmartProcurement APSO CAPES
insource.ict	**Insource.ICT** specialises in permanent and contract information communication technology (ICT) staffing solutions, placing candidates at all levels within organisations nationwide. **www.insource.co.za**	1	2000	Gauteng	APSO

BRAND	DESCRIPTION	NO OF SITES	EST	LOCATION	ASSOCIATIONS
africaHRsolutions	**Africa HR Solutions** offers payroll and compliance solutions across the African continent. Africa HR is based in Ebene, Mauritius, with a network that has been expanded through years of hard work to cover more than 40 African countries. Africa HR offers local and expat outsourcing solutions. **www.africa-hr.com**	3	2015	Mauritius, Angola and Congo	Professional Employer Organisation (PEO)
ca GLOBAL	**CA Global (Pty) Ltd** is the holding company of CA Mining, CA Engineering, CA Oil & Gas and CA Finance & Banking. The team and directors have extensive recruitment knowledge on the African continent, which provides clients with the talent required for their business success. **www.caglobalint.com**	2	2007	Western Cape and Mozambique	APSO
the working earth	**The Working Earth** is South Africa's only recruitment advertising specialist that links advertising to electronic response handling using the power of the internet. The brand offers the following recruitment methodologies: advertising response handling, electronic recruitment, in-company recruitment and recruitment advertising. **www.theworkingearth.co.za**	1	2000	Gauteng	APSO

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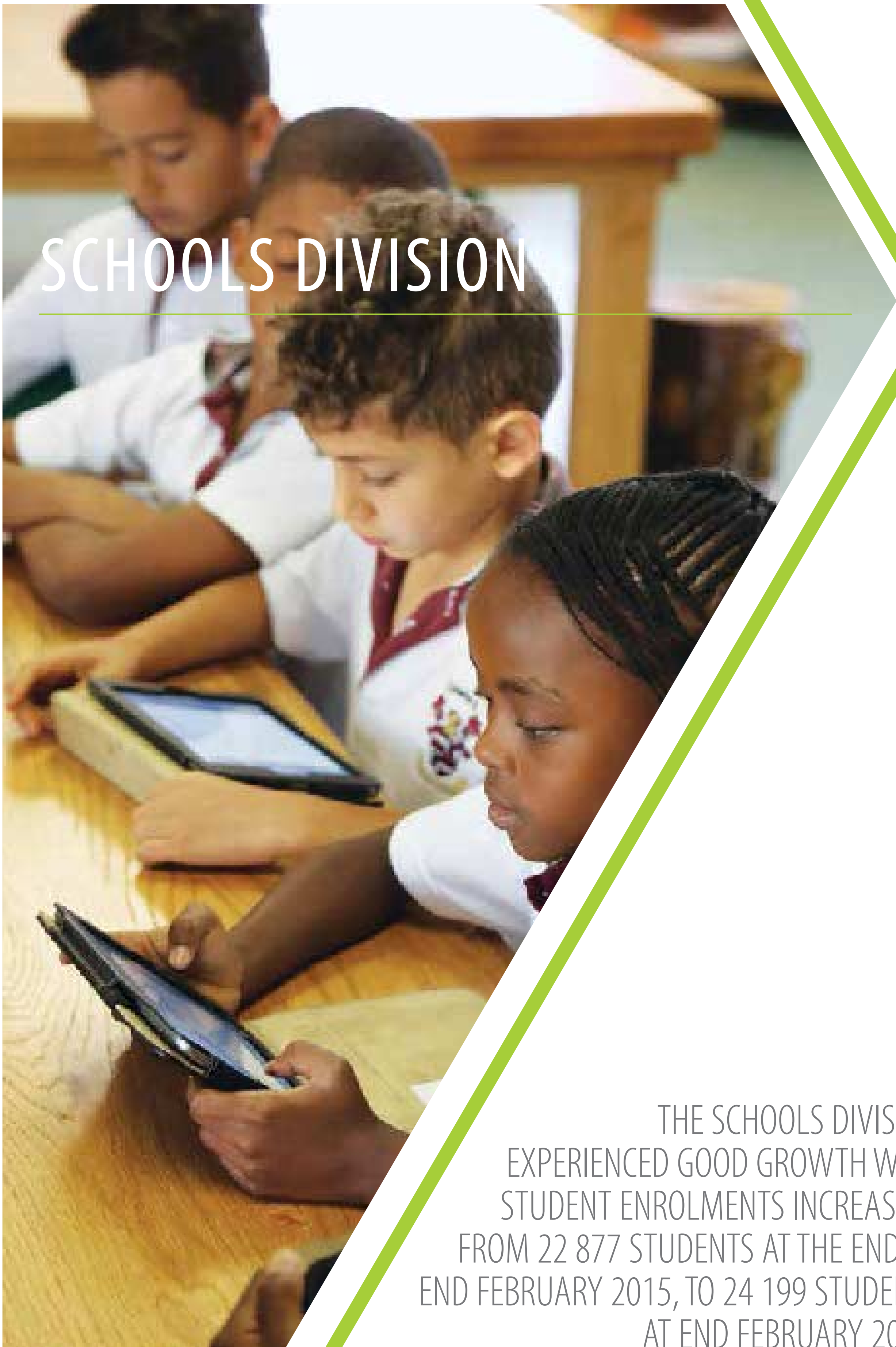


SCHOOLS DIVISION

THE SCHOOLS DIVISION EXPERIENCED GOOD GROWTH WITH STUDENT ENROLMENTS INCREASING FROM 22 877 STUDENTS AT THE END OF END FEBRUARY 2015, TO 24 199 STUDENTS AT END FEBRUARY 2016.

Performance highlights

The demand for private education in South Africa is rising, and the solid increase in enrolments is a clear indication of the excellence and value associated with our brands.

Operating a variety of brands, namely Abbotts Colleges, ADvTECH Academies, Centurus Colleges, CrawfordSchools™, Junior Colleges, Maravest and Trinityhouse give us a competitive advantage, as each is aimed at fulfilling a distinct market requirement. The division comprised 78 schools (2015: 73) across 42 campuses at the end of 2016.

The acquisition of Summit College was concluded in 2016, but will only be accounted for in 2017, and Founders Hill College opened in Modderfontein, both comprising of a pre-primary, primary and a high school.

The strategic acquisition of Glenwood House in George and Elkanah House in Cape Town, subject to the completion of the due diligence and competition commission approval, strengthens our position in the Western Cape, adding approximately 2 000 students effective January 2017.

ADvTECH Academies is the umbrella brand to multiple community-based schools and mid-fee schools. While each school retains its own identity and character, they have in common a focus on academic excellence which caters to the needs of the immediate community while benefitting from centralised support. This brand has opened new opportunities for growth through the acquisition of individually owned schools and the development of greenfield projects.

ADvTECH Academies' first greenfield development was Founders Hill College; the second was Copperleaf College in Centurion which opened in January 2017. These projects exceeded expectations, with Founders Hill College tripling enrolments in its second year of operations whilst Copperleaf commenced well ahead of projected first year numbers.

Strategy

As the leader in the premium private schooling sector, the division is renowned for its commitment to academic excellence. We continue to develop opportunities for expansion in the premium sector whilst also having identified the mid-fee sector and opportunities in the rest of Africa for additional growth. Our pipeline is continuously being developed to take advantage of growth opportunities, ranging from greenfield projects, acquisitions and new product development.

With the consistent increase in demand for education, there has been rapid growth in the private education sector. Our schools are known for their commitment to academic excellence and with this at the heart of the business, providing quality pre-primary, primary and secondary education is fundamental to the sustainability and reputation of the group. Therefore, we consistently ensure excellence to maintain our leading position as a premium education provider.

Growth and expansion

Glenwood House, located in George, was acquired in January 2017 and operates from grade 000 to 12 (pre-preparatory, preparatory and college) while also providing boarding facilities for 46 students. The school has built capacity for a further 90 students and sufficient space to add capacity for an additional stream. With values and an ethos that resonate with those of Trinityhouse, the school was integrated into the brand.

PERFORMANCE HIGHLIGHTS

2 562 DISTINCTIONS

1.6 DISTINCTIONS PER STUDENT

1 STUDENT ACHIEVED 10 DISTINCTIONS	4 STUDENTS ACHIEVED 9 DISTINCTIONS	22 STUDENTS ACHIEVED 8 DISTINCTIONS	40 STUDENTS ACHIEVED 7 DISTINCTIONS	43 STUDENTS ACHIEVED 6 DISTINCTIONS

SCHOOLS DIVISION CONTINUED

	NSC schools 2016	ADvTECH NSC schools 2016	IEB schools 2016	ADvTECH IEB schools 2016
Number of matrics	–	568	–	1 068
Matric pass rate	73%	99%	99%	100%
University exemption	27%	67%	88%	92%
As per learner	–	1.0	–	1.8
Average >60%	–	59%	–	81%

100%
IEB matric pass rate

98%
qualifying for entrance into higher education institutions

Further strengthening our position in the Western Cape and adding six schools to the ADvTECH Academies brand, is the recently acquired Elkanah House, subject to competition commission approval. It offers grade 000 to 12, with schools situated in the Blouberg and Sunningdale suburbs of Cape Town.

In addition to their grade 10 to 12 offering, Abbotts College Johannesburg South campus introduced grades 8 and 9 for the first time in 2016, with great success. This has led to the introduction of grades 8 and 9 at the Century City campus in Cape Town and Pretoria East campuses in 2017.

Significant capex projects undertaken during the year included capacity expansions to facilities at Crawford Italia, Crawford Lonehill pre-primary, Gaborone International School, Founders Hill College and Kathstan College. Boarding facilities were also expanded at Southdowns College and Pecanwood College.

Promoting academic excellence

The schools division's goal is to provide a nurturing environment of innovation and academic excellence, thus developing balanced and confident children who are able to identify and embrace personal growth opportunities, both now and well into the future. This is why we evaluate not only the most obvious measure of success (matric pass rates), but also what happens to our students beyond school and graduation.

The consistently excellent matric results, combined with the high number of distinctions, are clear independent indicators that we offer education of the highest quality. The schools division ensures that quality is defined, implemented and monitored.

Our matric students wrote either the National Senior Certificate (NSC) or the Independent Examinations Board (IEB) examinations. This year, the CrawfordSchools™ matriculants wrote the IEB examinations for the first time and received significant support from teachers in our other brands who are more proficient with the IEB examination requirements. This collaboration to prepare Crawford teachers and students ahead of their final examinations, combined with independent specialists who are proficient in the IEB examination requirements, highlights the academic strength, shared knowledge and commitment to excellence within our group.

ADvTECH has a central academic team working with the brands to support and develop the academic strategy to drive the development of excellence in process and outcome. This team has a programme of quality management for all academic processes, which includes local and international benchmarking, development and training, and exploration and implementation of effective methodologies.

A new "core skills" curriculum underpins the standard academic curriculum in all our schools. Through deliberate focus on core skills and strategies such as problem solving and collaboration, students are able to develop the necessary competencies for their roles beyond school.

Our teachers are key to upholding our standards of excellence in order to deliver on our value proposition. They show unprecedented success, not only within their own brands, but in supporting roles with other ADvTECH school brands during teacher collaboration workshops. During 2016, various learning tools were deployed to support the blended learning model and digital literacy of students and teachers. The ongoing training and development of our teachers remains a key focus and regular programmes are offered in this regard.

Students participated in a number of national and international Olympiads and competitions during 2016, in particular the International Maths and Science Olympiad (IMSO) in which 11 science and two maths medals were won.

Benchmarking is essential to measure, deliver and maintain academic excellence. We constantly strive to improve and regard it essential to undertake international assessments such as the Schools International Assessment Test (SIAT) and Victoria Curriculum Assessment Authority (VCAA). By combining local external assessments with international ones, we have ample data and a clear understanding of how our students are performing in specific learning areas. This enables us to focus development and support accordingly. For those students who write the international assessments as part of their final year at school, the individual results gives them an advantage when applying to local and international tertiary institutions. It is encouraging to note that US Ivy League universities such as Columbia, Harvard and Princeton regularly visit CrawfordSchools™ as part of their recruitment processes.

Our holistic approach to education means that, in addition to the academic programme, each of our brands offer a variety of sports and cultural activities. Our students achieve many awards, not only in academics, but across a spectrum of sporting and cultural activities at regional and national level.

A highlight in 2016 was six alumni of the division participating in the Rio Olympics: Cameron van der Burgh, Jared Crous, Michelle Weber, Michael Meyer and Dylan Bosch (all Crawford College alumni) and Sebastien Rousseau, an Abbotts College Claremont alumni. All are members of the South African swimming team. In addition, Michelle Joubert, a Southdowns College teacher, took to the field in Rio as a field hockey umpire. She was voted the International Hockey Federation's (FIH) 2015 Women's Umpire of the Year and selected to umpire the women's hockey final at the 2016 Olympic Games.

All ADvTECH schools are actively involved in various CSI and environmentally friendly projects. Two of our Centurus Colleges are internationally certified eco-schools that have earned their platinum flags as certified eco-schools. Please read more about these projects on the respective brand websites (see pages 24 to 25 for brand website details) or in the sustainability report on our website, www.advtech.co.za.

Looking ahead

We will maintain our efforts to continue finding creative, affordable and sustainable ways to offer quality education.

To cater to the ever-growing demand for our schools, capacity will be increased at Trinityhouse, Maravest and the Centurus brands.

The overall growth for the division, including the new schools and acquisitions, is expected to continue at a steady pace in line with the group's growth strategy.

TERTIARY DIVISION

DURING YET ANOTHER SUCCESSFUL YEAR, THE DIVISION CONTINUED TO SHOW STRONG ORGANIC GROWTH. A NUMBER OF STRATEGIC ACQUISITIONS BROADENED OUR PRODUCT OFFERING, PRESENTING EXCITING OPPORTUNITIES TO EXPAND OUR MARKET SHARE AND IN NEW MARKET SEGMENTS.

IIE THE INDEPENDENT INSTITUTE OF EDUCATION

IIE Varsity College

IIE Rosebank College

IIE Vega School — Design • Brand • Business

IIE the design school southern africa

IIE The Business School at Varsity College

Capsicum Culinary Studio

Oxbridge Academy

University of Africa

Performance highlights

Rosebank College, due in part to the success of the mega-campus model, increased enrolments by 29% to 14 484 (2015: 11 264). Also contributing to the increase in numbers, was the launch of the Connected Campus in Polokwane with its attractive blended learning offering. The model involves students attending two days of contact sessions on either side of three days of mediated and structured self-study. While the campus can be accessed at any time, students are able to choose their own pace and method of learning (including online or personal support). The student success rate in the second semester was particularly commendable, demonstrating our ability to implement innovative and market-leading education practices.

Rosebank College runs a highly effective graduate placement programme, the graduate empowerment programme (GEP), which places significant numbers of students in employment with a range of companies. Our other tertiary brands offer similar programmes adapted for the needs of their graduates. These programmes are an example of ADvTECH's practice of contributing to sustainable, holistic development of human capacity.

Through these programmes we maintain close contact with students and companies throughout the country, connecting students with prospective employers. Programme administrators evaluate, support and match graduates with the more than 700 prospective employers and businesses on their books, which include top companies such as Apple, Mr Price, Netcare, Barloworld Logistics, South African Airways, Vodacom and Bidvest. Rosebank College alone placed 2 337 students in jobs in 2016.

In 2016, Varsity College celebrated its 25th year of offering high quality education. For the past five years, the pass rates have consistently exceeded 80%, with a distinction rate close to 19% in 2016. Varsity College School of Finance and Accounting students achieved a pass rate of 85% on the SAICA Initial Test of Competence (ITC) exam, a result equivalent to the SAICA national average and above several of the public universities. The SAICA ITC is the standard examination written after the completion of a SAICA-accredited CTA programme and is an assessment of core technical competence. Of the top 20 UNISA CTA level 2 students in 2016, five studied at Varsity College.

The Varsity College School of Education launched two new IIE Bachelor of Education degrees. With a first intake of over 900 students in 2016, Varsity College is determined to make a difference in this critical skills area. Students performed well, particularly in their practical teaching modules, as a result of the support and training they received.

The Business School at Varsity College introduced IIE qualifications on a part-time basis, offered on a distance platform and supported by tutors who engage online with students in groups and individually, in addition to optional face-to-face learning blocks. This blended teaching approach has ensured that student success rates are far higher than what is generally expected from distance learning institutions. The Business School accommodated over 5 000 registrations in 2016, with 36% of the students sponsored by their companies.

Varsity College also offers students a range of sporting activities, and several students received national and international accolades, awards and gold medals.

Vega School of Brand Leadership (Vega) reaffirmed its international partnerships with the University of Art and Design in Offenbach, Germany, as well as the lecturer and student exchange programme with Fontys Academy for Creative Industries in The Netherlands and Denmark.

The Design School Southern Africa (DSSA) saw a 30% growth in enrolments for their BA in Interior Design IIE degree.

Following the revamp of the Vega and DSSA Durban and Pretoria campuses to optimise the creative learning experience, student enrolment numbers increased by 21%. The Johannesburg campus is currently being revamped.

Vega and the DSSA students made their presence known in industry competitions by winning the following national accolades:

> Four silver and three bronze Loerie Awards;
> Two silver Pendoring Awards;
> Golden Muse at PromaxBDA Africa Award;
> Sappi Goldpack Award;
> Winner at Decorex 2016 MMT Design Challenge;
> Winner of the Nestlé Tertiary Media and Creative Choice Award; and
> Two SA Fashion Week finalists.

The tertiary division currently comprises of nine brands that operate from 28 campuses.

PERFORMANCE HIGHLIGHTS

THE DIVISION'S EXCELLENT RESULTS YIELDED A REVENUE OF R1 253 MILLION (R1 168 MILLION 2015), AN INCREASE OF 28%

29 138 FULL QUALIFICATION STUDENTS (2015: 24 332)

4 430 GRADUATES

81% OF OUR DEGREE GRADUATES WERE EMPLOYED WITHIN SIX MONTHS OF GRADUATION

THE 51% ACQUISITION OF OXBRIDGE ACADEMY INCREASED OUR REGISTRATIONS BY 21 000 DISTANCE STUDENTS

ADDING 147 COURSES TO OUR OFFERING

TERTIARY DIVISION CONTINUED

Through the 51% acquisition of the University of Africa we increased our market presence into the sub-Saharan African region.

Capsicum Culinary Studio was added to our portfolio reaffirming our commitment to offering the best qualifications for the growing hospitality and tourism industry.

The Independent Institute of Education (IIE) is by far the largest, most accredited private higher education provider, or "private university", in the country. It has international accreditation with the British Accreditation Council (BAC), an independent authority that accredits private education providers in the UK and abroad. Locally, the IIE is registered with the Department of Higher Education and Training (DHET) and accredited by the Higher Education Quality Committee (HEQC). The IIE is also working towards enhancing its partnership with The Open University (OU), the United Kingdom (UK) based leader in distance education.

In terms of the Higher Education Act, registered and accredited private higher education institutions are currently not legally allowed to call themselves "universities" even though SA has a unitary quality assurance system in which one committee applies the same criteria for accreditation to the qualifications of private and public institutions. All higher education qualifications such as degrees, whether from a public university or a private higher education institution, are therefore accredited and registered in the same way and therefore have equal standing.

The IIE offers 57 registered and accredited qualifications, ranging from higher certificates to master's degrees. To accommodate this diverse range of qualifications, the IIE now operates four faculties namely the Faculty of Commerce, Faculty of Social Sciences, Faculty of Information and Communication Technology and the Faculty of Humanities.

The quality assurance and governance system of the IIE mirrors that of the world's best university practices. The senate, comprising academic staff from our central academic team and brands, is the highest academic decision making structure of the IIE. Its mandate is to set policies and monitor and review their implementation. The office of the registrar works closely with the brands, the central academic team and the broader ADvTECH group to ensure compliance with the IIE's external regulatory requirements and internal policies. Our internal policies are modelled on international best practices with strong traditional principles, whilst also being cited by others for their integration of current and innovative thinking.

Distinguishing the IIE from its peers is our commitment to innovation through the development of new qualifications, approaches to teaching and learning and the provision of sound student support and service.

The IIE is committed to providing an exceptional learning experience. It is noteworthy that the IIE is the only private higher education provider which publishes its own accredited, peer reviewed academic journal, *The Independent Journal of Teaching and Learning*. Contributions come from across the world and in 2017, two editions will be published to deal with the increased volume of approved articles.

In keeping with its broader commitment to develop the reputation and standing of private higher education in the country, the IIE is a founding member of SAPHE, an association of South African Private Higher Education institutions. All members recognise the issues of national importance associated with campaigns in the public sector such as *#FeesMustFall*, and are committed to developing the sector as a contributing partner in meeting student aspirations. While our own campuses were largely unaffected by the protests, we recognise the national importance of the issues raised.

Strategy

Our strategy is to drive the quality and accessibility of our qualifications in this slow growth economy. We focus on ensuring that our qualifications remain current and relevant and that the content and assessments bridge the curriculum and the constantly evolving world of work. Our programmes prepare students for the workplace by incorporating placements or simulated workplace experience or other practical components. Combined with the assistance of our GEP, together with other support and development initiatives, these programmes ensure that many of our graduates find employment. Graduate tracking projects show that more than 81% of IIE graduates were employed within six months of completing their studies. A significant number of the remaining students chose to further their studies in the year after graduation instead of immediately entering the employment market. This is a strong indicator that students who obtain an ADvTECH tertiary qualification are employable, even in a tough economic environment.

Please refer to the brands' respective websites for inspirational alumni stories.

Newly legislated regulations for private higher education institutions as well as amendments to the Higher Education Act prescribe that tuition support relations are no longer permitted between higher education institutions. This affected Rosebank College and Varsity College, where we had to begin the process of phasing out tuition support on distance qualifications such as the University of the Free State LLB. While we do not agree with this regulatory change, it has been a catalyst for bold strategic initiatives such as submitting our own Bachelor of Laws degree and a Bachelor of Accounting degree for accreditation. The latter was accredited by the HEQC and SAICA, and will be offered on three campuses from 2017.

Growth and expansion

Organic growth is the largest contributor to the division's excellent results, with acquisitions more focused on entering growing sectors in the tertiary education space.

All indications are that tourism and hospitality are growing sectors in sub-Saharan Africa. This informed ADvTECH's strategic decision to acquire Capsicum Culinary Studio (Capsicum).

A leading culinary school, Capsicum is accredited with the South African Quality Council for Trades and Occupation (QCTO) and is a member of the South African Chef's Association and the World Association for Chef Societies (WACS). All Capsicum's courses are registered with the South African qualifications framework and internationally accredited by City & Guilds, the UK's leading vocational education and training organisation.

An exclusive partnership with Swiss Educational Group (SEG) allows Capsicum students to further their studies and complete a Bachelor's degree in Culinary Science. For more information, visit the website: www.capsicumcooking.com.

ADvTECH's commitment to increasing participation in offering distance courses (qualifications and short courses) is apparent, with the acquisitions of a 51% stake in both Oxbridge Academy and the University of Africa (UoA) in Zambia.

Oxbridge Academy is an established private distance learning college which is provisionally registered with the DHET under the Further Education and Training Colleges Act 16 of 2006. Oxbridge offers students opportunities to gain job-relevant skills and provides academic and student support from industry experts and tutors. The partnership has considerably strengthened ADvTECH's position in the distance sector. Information on their programmes and courses is available at www.oxbridgeacademy.co.za.

The acquisition of UoA, effective in 2017, signifies the tertiary division's first step into Africa beyond our borders. It underpins our Africa expansion strategic vision to derive 30% of the group's revenue from outside South Africa by 2020.

The UoA offers distance education qualifications with a student base in Southern Africa including Zambia, Zimbabwe, Angola, Uganda and the DRC. It has developed a business model to make tertiary education more accessible to many communities by offering "register as you go" and "pay as you go" courses. The pan-African PhD programme, Leadership in Africa's Development, is another unique course offering.

Accredited and registered with the Zambian Ministry of Education, the UoA comprises eight faculties and offers 60 qualifications ranging from certificate to doctorate levels.

The Zambian regulatory and quality assurance system has evolved significantly and a process of accrediting each programme (and not just the institution) is under way. This is likely to result in a changed and more focused set of programme offerings going forward, and offers exciting opportunities for synergy with the IIE. Information regarding the UoA is available at www.universityofafrica.net.

Promoting academic excellence

In keeping with our commitment to academic excellence, all our tertiary brands provide an exceptional learning experience aligned with the expectations of the industry and of our students. Most of our courses are delivered at state-of-the-art campuses across South Africa, while the distance education methodology employed for the others is delivering strong student outcomes. Smaller class sizes than most public institutions enable us to innovate our teaching methodology and offer more personalised learning and support for students, resulting in increased student success. These features ensure a constant and growing demand for ADvTECH's tertiary qualifications.

Through both the Rosebank College Connected Campus and the mega-campus, we have gained invaluable insights into the expectations and perceptions of our target student market. This will enable us to refine and expand both offerings significantly over the next few years.

Accredited IIE qualifications offered for the first time in 2016 were:

> Bachelor of Commerce (Distance);
> Bachelor of Public Administration (Distance);
> Bachelor of Commerce in Economics;
> Bachelor of Education in Foundation Phase Teaching;
> Bachelor of Education in Intermediate Phase Teaching;
> Bachelor of Commerce Honours in Strategic Brand Management;
> Higher Certificate in Business Management;
> Higher Certificate in Business Management (Distance); and
> Higher Certificate in Legal Studies.

More IIE degrees and postgraduate qualifications are in the accreditation pipeline as the IIE continues to respond to new developments and market demand.

ADvTECH is constantly looking to improve systems, streamline processes and improve efficiency. The IIE made various positive changes that will continue into 2017, including a centralised student hub to improve customer service to students and the dissemination of information. A new cloud-based library management system to enhance 24/7 access and services to lecturers and students, both on and off campus, was implemented.

The Learning Management System (LMS), or IIELearn, continues to support the teaching and learning strategy. It has had a positive impact on student learning while also drawing more students and lecturers to work online. The uptake by learners was beyond expectations given that this was the first full year of operation. The IIE is also launching a Mosaic App for all devices which will use BlackBoard Learning Optimisation. Services will include the student portal, Office 365, IIE Marque, career centres, directory and emergency contact information.

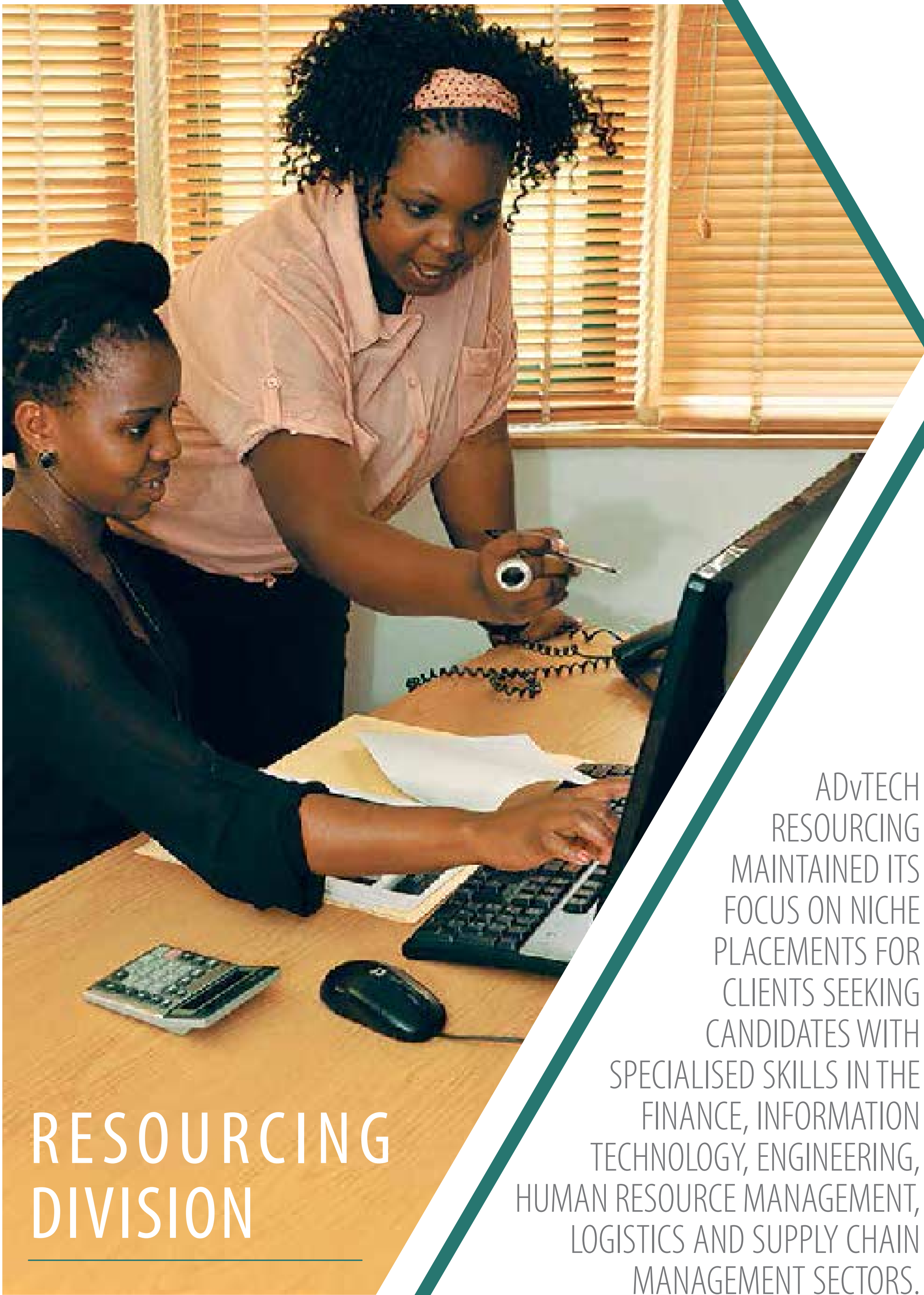
Looking ahead

Considering the 2016 organic growth in enrolment numbers and our expansion into other education sectors through acquisitions, we confidently predict further growth in 2017.

Two Varsity College campus expansion projects are planned for 2018, and plans are under way for a new Varsity College campus to open in 2019. Rosebank College is concentrating on expanding mega-campuses and digitally enabled campuses throughout South Africa.

We intend to make full use of IIELearn, to reach more students in the distance mode and enhance the learning experience for our on-campus students. Effective online education strategies will be applied in the coming years to support our expected growth in the distance education space. We monitor each new operational feature to ensure that our growth does not compromise the quality of our teaching and learning.

The IIE's central academic team, together with the brands and stakeholders, will continue to evaluate programmes and expand course offerings, with 13 new qualifications currently in development.



RESOURCING DIVISION

ADvTECH RESOURCING MAINTAINED ITS FOCUS ON NICHE PLACEMENTS FOR CLIENTS SEEKING CANDIDATES WITH SPECIALISED SKILLS IN THE FINANCE, INFORMATION TECHNOLOGY, ENGINEERING, HUMAN RESOURCE MANAGEMENT, LOGISTICS AND SUPPLY CHAIN MANAGEMENT SECTORS.

Performance highlights

The division performed admirably in a volatile job market where the South African unemployment rate rose to a 12 year high. In the third quarter of 2016, the rate of joblessness stood at 27.1%, the highest since 2004.

Although challenging economic conditions prevailed due to local and international economic influences, the division maintained similar volumes of candidate placements (permanent and temporary) to those of 2015, remaining the market leader in permanent placements in South Africa.

During the year, the division launched a recruitment process outsourcing function through The Working Earth. This initiative has been a success and business operations are already showing improved results.

We continue to broaden our prospects and service different market segments in the wider African market to counter the effect of low economic activity in the domestic market. This was boosted by the brands operating in the contracting space, most notably Africa HR Solutions, which saw an increased number of placements in several countries outside of South Africa.

Strategy

Attracting and retaining the best people remains our priority. We realise that we would not be able to achieve success without the enthusiasm, commitment and hard work of all staff members across the division. Therefore, we continually invest in our people and strive to offer optimum working conditions to sustain our market-leading position in the recruitment industry. Over the past three years, our consultant retention and development strategies, together with standardising employment benefits, have proved effective.

The resourcing division brands all have distinct personalities, but all have one thing in common: commitment to providing the highest levels of service to their candidates and clients. Having numerous brands in one division creates a healthy level of competition while at the same time all can benefit from shared expertise and well-documented best practice principles.

Resourcing services include an in-depth analysis of specific needs, personalised advice on market trends and available opportunities in a given market sector. Clients deal with a single recruiter who takes care of their specialist needs.

The transformation of our workforce demographics to better represent the communities in which we operate remains an ongoing focus for the division. A proprietary learnership programme, arranged through the Federation of African Professional Staffing Organisations (APSO), is in place to enable the development of critical scarce skills in the South African employment sector. It equips talented individuals with the skills they need to find employment.

A focus on quality

Barriers to enter the recruitment industry are minimal because there are few legislative or other requirements. For this reason, it is vital that the division retains its solid reputation as a leading provider of quality candidates. All our brands are accredited members of a number of professional bodies including APSO, the Institute of Personnel Service Consultants (IPSC), the Confederation of Associations in the Private Employment Sector (CAPES) and the Information Technology Association (ITA).

Leveraging off LinkedIn's unique global social media positioning to source candidates, the division increased its LinkedIn recruiter subscriptions in 2016.

To ensure a continued excellence in quality and superior service, the division conducts annual independent, client-focused market research activities. The findings of these studies help to identify areas for improvement. There is also a rigorous internal quality auditing process to ensure that the placement of quality candidates, best suited to client requirements, is consistently efficient.

Looking ahead

We have been able to speed up the placement process through optimising the use of technology and systems, as well as streamlining processes and improving database management and extraction. This has led to the speeding up of the process to identify the best candidates and placing them with clients requiring scarce skills, resulting in increased customer satisfaction.

The resourcing division will continue to find innovative ways to streamline the recruitment process, while upholding the high levels of professionalism in each of the niche sectors of specialisation. We will also continue to seek opportunities to extend and strengthen our position across the African continent in both temporary and permanent placements.

BOARD OF DIRECTORS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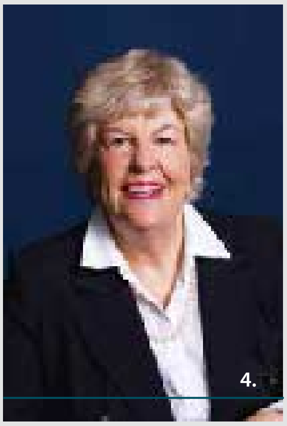
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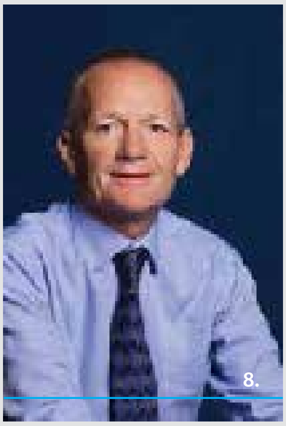
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1. CHRISTOPHER **BOULLE** – 45

Chairman

Independent non-executive director

Chairperson of the investment and nominations committees, member of the audit, remuneration 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 a director of companies listed on the JSE and is also trustee of various trusts, including the ADvTECH Limited Share Incentive Trust. He was appointed as a director in March 2013. In 2015, he was appointed chairman of the board.

2. ROY **DOUGLAS** – 59

Executive director, chief executive officer

Member of the investment and risk committees

BSocSci (Economics) (UKZN), MBA (UCT)

Roy brings 25 years of local and international senior management experience to the group. Holding a Bachelor's degree in Economics, and an MBA, Roy has held senior executive roles in various industries that have honed his skills in strategy, marketing, business development and general management. His track record includes leadership positions in Nampak Limited, Deloitte (Atlanta, USA), House of Fraser Limited (UK) and Unilever SA. He joined ADvTECH in December 2012 as chief operating officer of the tertiary division and led the successful turnaround of the division. He joined the board as an executive director and took over the reins as chief executive officer in November 2015.

3. JACQUELINE **CHIMHANZI** – 43 *(Doctor)*

Independent non-executive director

Member of the audit, nominations and risk committees

BSC Hons, MBA, PhD, (Strategic Marketing) (Cardiff)

Jacqueline is the CEO of Africa Leadership Institute. She is a seasoned strategist with some 15 years' experience as both an academic and a practitioner. She is also a keen Africa-watcher and was recognised by Forbes Africa magazine as one of the 20 Youngest Power Women in Africa in 2012 – women under 45 shaping the narrative of Africa's rising. She is a fellow of the Pan-African Archbishop Tutu Leadership Programme run by the African Leadership Institute (AFLI) at Oxford University and a member of the Institute of Directors in Southern Africa (IoDSA). She previously led strategy consulting teams and was also Lead: Africa Desk at Deloittes and senior strategist at the IDC. Jacqueline lectured at the University of Wales (UK) and joined the board in January 2017.

4. BRENDA **GOURLEY** – 73 *(Professor)*

Independent non-executive director

Chair of the risk committee, deputy chair of the transformation, social and ethics committee, member of the audit, investment, and nominations committees

CTA (Wits), MBL (UNISA), FCGI, FRSA

Brenda is an accountant by profession and has a long career in business and academia. She was previously vice chancellor of the University of KwaZulu-Natal, South Africa, and vice chancellor and chief executive officer of The Open University (UK). 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. She has received recognition in the form of prizes, fellowships and awards as well as honorary degrees from 14 universities on four continents. Most recently, she received the 2014 UNISA Chancellor's Calabash Award as an Outstanding Educator in recognition of her contribution to higher education, especially in open and distance learning. Professor Gourley joined the board in 2008.

5. JANE **HOFMEYR** – 67 *(Doctor)*

Independent non-executive director

Member of the nominations, risk and transformation, social and ethics committees

PhD (Education, Teaching, Public Policy) (WITS)

Jane holds a PhD in education policy studies and is currently an independent education and development consultant. She has 30 years of experience and research in public and private education. She launched and managed the Education Policy Unit of the National Business Initiative, followed by 15 years heading the Independent Schools Association of Southern Africa (ISASA), where she played a pivotal role in the development of the association. She marketed ISASA vigorously and established its brand while increasing ISASA's human and physical resources. This reinforced ISASA's attractiveness to schools as a service provider, and established its reputation as an association of first choice. Jane joined the board in January 2017.

6. JONATHAN **JANSEN** – 60 *(Professor)*

Independent non-executive director

Chair of the transformation, social and ethics committee and member of the nominations committee

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

Jonathan was 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 (Scotland), Cleveland State University (USA) and University of Vermont (USA). He is a fellow of the American Educational Research Association and the Academy of Science for the Developing World. He has received international recognition, including awards for the Education Africa Lifetime Achiever Award (New York), Spendlove Award (University of California) and a prestigious book award from the British Academy for the Social Sciences and Humanities. He is a prominent author and speaker on educational matters around the world. Jonathan joined the board in 2004.

7. STAFFORD **MASIE** – 42

Independent non-executive director

Member of the nominations and risk committees

Stafford commenced his education in South Africa before undertaking studies in computer science at Tel Aviv University, Israel. He has been involved in the IT industry for nearly 20 years, and was associated with pre-eminent IT companies such as Dimension Data, Novell and Google. His passion for technology led to him holding senior executive positions 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.

8. DIDIER **OESCH** – 51

Executive director, group financial director

Member of the investment 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. He was appointed a member of Exco and group financial director in 2005.

9. KEITH **WARBURTON** – 58

Independent non-executive director

Chair of the audit committee, member of the investment, nominations, risk and remuneration committees

BCom, CTA, CA(SA)

Keith is a CA who has obtained some 30 years' experience in commerce and management since qualifying as a chartered accountant at Arthur Andersen. His broad experience includes the banking, steel and manufacturing industries. Since 1990, he has been in the retail industry, with his latest term being as chief operating officer of Clicks Group Ltd. Keith has been involved in a number of large enterprises, with experience in a number of JSE-listed entities. He joined the board in July 2015.

10. SHIRLEY **ZINN** – 55 *(Professor)*

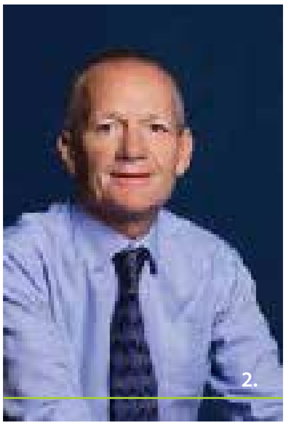
Independent non-executive director

Chair of the remuneration committee, member of the investment, nominations and transformation, social and ethics committees

BA, HDipEd (UWC), BEd (Hons) (Unisa), Med (UWC), EdM and EdD (Harvard)

Shirley has held several leadership roles in HR management within the public (SARS) and private sectors (more specifically, the banking industry). She now consults to various large organisations on a variety of matters relating to the optimisation of HR strategy, transformation and leadership development. She is a director and trustee of a number of companies and trusts, including the Boston Consulting Group, Nedbank Eyethu Community Trust, Sygnia Asset Management, Tuesday Consulting and the chair of the Starfish Greatheart Foundation. She is also an extraordinary professor at the University of Pretoria. In 2015, Shirley published an inspirational book about her own personal and professional life. Shirley joined the board in October 2012.

EXECUTIVE COMMITTEE



1. ROY **DOUGLAS**

Chief executive officer

Roy brings 25 years of local and international senior management experience to the group. Holding a Bachelor's degree in Economics and an MBA, Roy has held senior executive roles in various industries that have honed his skills in strategy, marketing, business development and general management. His track record includes leadership positions in Nampak Limited, Deloitte (Atlanta, USA), House of Fraser Limited (UK) and Unilever SA. He joined ADvTECH in December 2012 as chief operating officer of the tertiary division and led the successful turnaround of the division. He joined the board as an executive director and took over the reins as CEO in November 2015.

2. DIDIER **OESCH**

Group financial director

Didier qualified as a chartered accountant in 1991 after obtaining his BCompt Honours and 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. He was appointed a member of Exco and group financial director in 2005.

3. ALEX **ISAAKIDIS**

Chief executive officer, Schools division

Alex joined the group in 1999 as MD of CrawfordSchools™. In 2000, he was appointed head of the schools division. He was promoted to joint chief operating officer of the ADvTECH group on 1 May 2010, and later to CEO of the schools division. Prior to joining ADvTECH, Alex briefly worked in the education sector as a teacher, before gaining diversified experience in engineering at senior management level within the Dorbyl group. He was MD of Chubb Safes for five years from 1994, until he joined ADvTECH. He has a BA and BCom Honours from UNISA.

4. LENN **HONEY**

Chief executive officer, Resourcing division

Lenn's first encounter with ADvTECH was during the sale of Rosebank College in 1996. After selling Rosebank College to ADvTECH, he managed several tertiary businesses within the group. Lenn was appointed head of the resourcing division in 2003, then in 2012 he was promoted to CEO of the division. Lenn began his career in the motor vehicle industry, later moving to Hunt Lascaris and then Western Platinum Mine as a productivity improvement management consultant, prior to buying Rosebank College. He holds a BCom Honours in Business Administration (Rhodes University) and an MBA in Marketing (University of Hull).

5. FELICITY **COUGHLAN** *(Doctor)*

Group academic director

Felicity was appointed director of The Independent Institute of Education (IIE) in 2005 and promoted to ADvTECH's group academic director in 2016. Preceding ADvTECH, Felicity joined Rhodes University in 1991 as head of department and then associate dean in 2001. She was appointed deputy registrar at Wits University in 2001 and director of strategic planning in 2003. Felicity obtained an Honours degree in Social Work and Psychology (Rhodes University), Masters in Sociology (University of London) and a Doctorate in Social Work (UNISA).

6. JACO **LOTZ**

International business development executive

Jaco joined ADvTECH as chief financial officer of the schools division in 2007. In 2010, he was appointed MD of CrawfordSchools™, and in 2015 also of Abbotts College. In 2016, he was appointed International business development executive for the group. Before joining ADvTECH, Jaco held the position of group financial manager at Magna FS from 2003 to 2007. He attained a CA(SA), BCompt Honours & CTA (UNISA); BCom Accounting, BA Honours in Psychology; and a BA in Theology (University of Pretoria).

7. ERIC **SHIPALANA**

Human resources executive

Eric Shipalana joined ADvTECH as HR executive in 2006. Prior to joining ADvTECH, he was HR director for the multinational pharmaceutical company, Merck Sharp & Dohme (MSD) for eight years. Eric formerly held the position of HR director and manufacturing director for the Scotland-based engineering company, Weir Minerals Africa. He has a BSc (Biochemistry and Zoology), University Education Diploma (University of Fort Hare), a certificate programme in Industrial Relations (WITS GBS) and various HR qualifications.

8. STEVEN **VAN ZYL**

Chief information officer

Steven was appointed CIO of the group in 2006. Before joining ADvTECH, he held the position of group IT executive at Murray & Roberts. He has worked in various industries across Africa, gaining extensive experience in his field. In his various roles, Steven has ensured that business was able to leverage off technology investments and trends, thereby assisting companies to conduct business through technology in different ways to enhance operations and raise business performance. He attained a BCom in Finance and Administration in 1995 at the University of Natal.

9. VONGANI **MBHOKOTA**

Properties executive

Vongani Mbhokota joined the group in November 2016 as the properties executive. He has extensive experience with acquisitions, property development and the ongoing management of both owned and leased properties in the commercial, retail and hotel property sectors. Vongani has held senior roles within Atterbury Property Development, Liberty Properties, Investec and Group 5 Building. Vongani holds a degree in Quantity Surveying and an MBA in Project Finance (UNISA). He has professional registration in Quantity Surveying and Professional Construction Project Management (PrCPM).

CORPORATE GOVERNANCE

EFFECTIVE CORPORATE GOVERNANCE IS THE CORNERSTONE UPON WHICH THE MANAGEMENT OF THE ADvTECH GROUP IS BASED.

Introduction

The board acknowledges that it is responsible for ensuring that the principles of good corporate governance are observed and incorporated into the operational management of the group. The directors, collectively and individually, acknowledge their responsibilities in terms of the JSE Listings Requirements.

The board's support of corporate governance principles across all areas of operation helps the group to run its business in an efficient, ethical and sustainable way. It continuously reassesses its principles and policies against King III and corporate governance best practice and makes changes as and when appropriate.

Governance structure

AUDIT COMMITTEE, TRANSFORMATION, SOCIAL AND ETHICS COMMITTEE (TSEC), REMUNERATION COMMITTEE (REMCOM), RISK COMMITTEE, INVESTMENT COMMITTEE AND NOMINATIONS COMMITTEE (NOMCOM)

THE ADvTECH LIMITED BOARD

EXECUTIVE DIRECTORS

EXECUTIVE COMMITTEE (EXCO)

BUSINESS UNITS/DIVISIONS

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

The board has delegated authority to run the day-to-day affairs of the group to the CEO and Exco. Exco facilitates the effective control of all the group's operational activities, acting as a decision making body and a medium of communication and co-ordination between the various business units, group companies and the board.

Board of directors

Composition

The directors are drawn from different sectors and have a diverse range of experience in strategic and other relevant fields. Details of the directors, with brief curricula vitae, can be found on pages 40 to 41.

Executive directors and prescribed officers have standard employment contracts, requiring no more than three months' notice on termination.

Non-executive directors have standard letters of appointment and are subject to rotational requirements set out in the company's memorandum of incorporation.

8

NON-EXECUTIVE DIRECTORS

> A non-executive chair, who is considered to be independent and whose role is separate from that of the chief executive officer.
> Seven other non-executive directors, who are all considered to be independent.

2

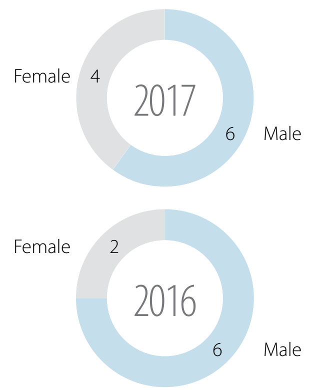
EXECUTIVE DIRECTORS

> Chief executive officer
> Group financial director

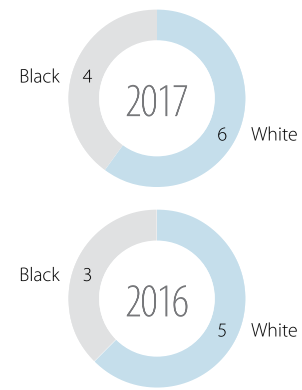
The board's diversity

ADvTECH sees increasing diversity at board level as an essential element in maintaining a competitive advantage. To this end, the ADvTECH board will continue to strive for diversity, particularly from a gender perspective, as this will promote different perspectives and problem-solving approaches.

MALE/FEMALE RATIO



TRANSFORMATION RATIO



Subject to the needs of the ADvTECH board, the board aims for 50/50 gender diversity by the end of 2020.

Tsec will monitor performance in relation to the above target and will recommend any changes required to the board for approval.

CORPORATE GOVERNANCE CONTINUED

Chairman of the board

In line with best practice, the chairman of the board, CH Boulle, is an independent non-executive director. The roles of chairman and CEO are separate, each with clearly defined responsibilities.

Independence and performance

The board reviews the independence of directors on an ongoing basis and remains satisfied that they all demonstrate sound independence of judgement and mind. It is satisfied that there are no relationships or circumstances likely to affect their independence or judgement. When considering the classification of a director as an independent director, the board takes into consideration the principles as set out in King III and the Companies Act.

The board and its committees were informally assessed by the chairman of the board, with the assistance of board committee chairpersons. The objective of this process was to:

> determine how the board or the relevant committee has performed;

> ascertain the effectiveness of the board and relevant committee; and

> identify areas that might require attention as part of the board work plan for the coming year.

The assessments did not reveal any significant areas of concern and concluded that the board and committees of the board effectively discharged their respective responsibilities.

An executive director's performance in relation to key performance indicators, as agreed at the beginning of each year, is assessed annually in accordance with the company's standard performance assessment processes. 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 non-executive directors.

Process for appointments and removal of directors

The board, assisted by the nominations committee, is responsible for the appointment of new directors. The nominations committee evaluates suitable candidates and submits nominations to the board.

When considering the board's composition, the different skills, experience, personality types, ages, genders and races are considered to allow for a broad approach to business. When a vacancy is identified, the board will, on recommendation from the nominations committee, determine the objective criteria to be met by a candidate. One of these requirements will include gender diversity. All board appointments are made on merit.

The appointment of a new director is subject to confirmation by shareholders at the next annual general meeting (AGM). An induction programme is established for new directors. On appointment to the board, new directors visit the group's businesses and meet with senior management to facilitate their understanding of the group structure and fiduciary responsibilities.

Despite the provisions of any contract, the company may, by ordinary resolution, remove any director from office and appoint another person in his/her stead. The company will at all times comply with section 71 of the Companies Act in this regard.

Recent directorate changes

Dr Jacqueline Chimhanzi and Dr Jane Hofmeyr were appointed to the board with effect from 1 January 2017, and are classified as independent non-executive directors.

Annual rotation and election

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 AGM held after their initial appointment.

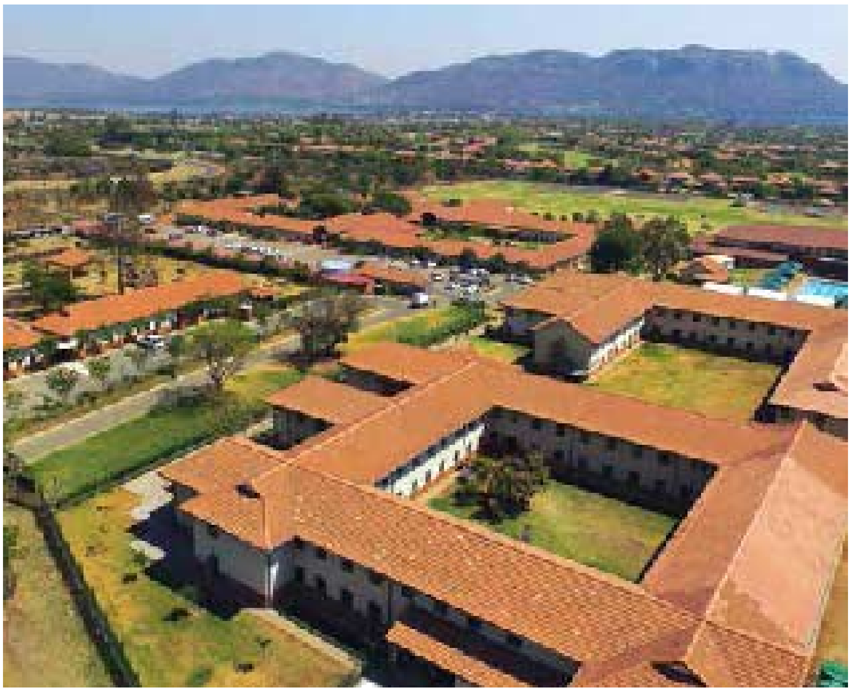
Dr Jacqueline Chimhanzi and Dr Jane Hofmeyr will stand for election by shareholders at the next AGM as they were both appointed after the AGM held on 24 May 2016.

In accordance with the company's memorandum of incorporation and King III, CH Boulle and BM Gourley will retire by rotation and will stand for re-election by shareholders at the next AGM.

Director tenure and committee membership

Director	King III classification	Board tenure (years)	Audit committee	Risk committee	Remuneration committee	Tsec	Nominations committee	Investment committee
CH Boulle	Board chairman and independent non-executive director	4	Member	Member	Member		Chair	Chair
RJ Douglas	Executive director – CEO	1.4		Member		Member		Member
BM Gourley	Independent non-executive director	8.8	Member	Chair		Member	Member	Member
JD Jansen	Independent non-executive director	12.5				Chair	Member	
SC Masie	Independent non-executive director	3		Member			Member	
JDR Oesch	Executive director – group finance director	11.5		Member				Member
KDM Warburton	Independent non-executive director	1.8	Chair	Member	Member		Member	Member
SA Zinn	Independent non-executive director	4.5			Chair	Member	Member	Member
JM Hofmeyr	Independent non-executive director	0.25					Member	
JS Chimhanzi	Independent non-executive director	0.25					Member	

Brief curricula vitae can be found on the website at **www.advtech.co.za** or on pages 40 to 41.



Executive committee (Exco)

Exco is responsible for making recommendations to the board regarding the group's policies and strategies and for monitoring their implementation in accordance with the board's directives. It plays a role in monitoring risks applicable to the group and reporting on these, together with recommendations and reports on action to be taken, to the board. This includes the annual insurance review and formal risk analysis.

Exco has access to the expertise of board members and meets with the board at least once a year to ensure that they share a common vision for the future of the group. The divisional CEOs and other executive committee members attend board meetings, when appropriate, in order to ensure that there is optimum alignment between the board and management in implementation of the group's strategies.

At year-end, Exco consisted of two executive directors, two divisional CEOs (who are also identified as prescribed officers of the company) and five senior executives. RJ Douglas, who is the group CEO, is currently also the acting divisional CEO of the tertiary division.

Each of the group's three operating divisions (schools, tertiary and resourcing) have formal management structures that meet on a regular basis to ensure the maintenance of standards and best practice in respect of corporate governance and internal controls.

Board committees

The board has established a number of statutory and other committees to assist it in fulfilling its duties and responsibilities more effectively.

The litigation committee was disbanded upon settlement of the legal proceedings in respect of substantial claims against Andry Welihockyj, Marina Welihockyj and Meridian (a company controlled by them) in August 2016.

Members of the board are appointed to committees based on their areas of expertise and experience. One of the members is appointed as chair of that committee. Where appropriate, a deputy chair may also be appointed.

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.

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.

Board and committee meetings

The following table records meetings attended by each member of the board and its committees during the course of 2016:

	Board		Audit committee		Risk committee		Remuneration committee		Tsec		Investment committee		Litigation committee		Nominations committee	
	Meetings attended	Meetings held	Meetings attended	Meetings held	Meetings attended	Meetings held	Meetings attended	Meetings held	Meetings attended	Meetings held	Meetings attended	Meetings held	Meetings attended	Meetings held	Meetings attended	Meetings held
CH Boulle	5	5	3	3	3	3	6	6			3	3	1	1	3	3
RJ Douglas	5	5	3 (invitee)	3	3	3	6 (invitee)	6	2	3	3	3			3 (invitee)	3
BM Gourley	5	5	3	3	3	3			3	3	2	3			3	3
JD Jansen	5	5							3	3					3	3
SC Masie	5	5			3	3									3	3
JDR Oesch	5	5	3 (invitee)	3	3	3					3	3				
KDM Warburton	5	5	3	3	3	3	6	6			3	3			3	3
SA Zinn	5	5					6	6	2	3	2	3			3	3

Attendance by directors and committee members were in person or by teleconference or other electronic means.
JM Hofmeyr and JS Chimhanzi joined the board with effect from 1 January 2017, and therefore did not attend any board or committee meetings in 2016.

CORPORATE GOVERNANCE CONTINUED

Audit committee

As required by the Companies Act, shareholders elected the members of the audit committee at the AGM. All members of the committee are independent as defined by the Companies Act. Terms of reference approved by the board and adopted by the committee set out the committee's functions and responsibilities.

The board has recommended that the following directors be appointed to the audit committee at the AGM in May 2017, to hold office until the following AGM:

> CH Boulle;

> JS Chimhanzi;

> BM Gourley; and

> KDM Warburton (chair).

Executive directors, external auditors and the internal audit manager are invitees who regularly attend these committee meetings.

The audit committee met three times during the year. These meetings were attended by the internal and external auditors, the group CEO and group financial director, as well as other board members and invitees as considered appropriate by the chair of the audit committee.

A separate report from the audit committee can be found on pages 60 to 61.

Risk committee

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 continue to review and assess the integrity and the quality of risk control systems and ensure that risk policies and strategies are effectively managed.

Management of risk is regarded as an integral aspect of each manager's responsibility within the group. The group's major assets are insured against loss and this, together with the disaster recovery plan, will ensure that the business continues with the least amount of disruption.

External auditors and the internal audit manager are permanent invitees who regularly attend these committee meetings.

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

The key focus area of the committee during 2016 was the refinement of the risk policy, risk register and the identification of an appropriate risk appetite and risk tolerances.

Remuneration committee

All members of the remuneration committee are independent non-executive directors.

The committee determines and approves the remuneration policy for all employees. The group CEO and HR executive attend the meetings by invitation, but do not participate in any deliberations regarding their own remuneration.

The remuneration committee report can be found on pages 50 to 52.

Transformation, social and ethics committee

The Companies Act requires the establishment of a social and ethics committee. Because the board regards transformation as a high priority, it has elected to combine the mandate of the social and ethics committee with that of the previously existing transformation committee.

A separate report from the transformation, social and ethics committee is included on page 53.

Nominations committee

The nominations committee consists of all the non-executive directors, and is chaired by the chairman of the board.

The role of the committee is to assist the board in ensuring that:

> the board and its committees have the appropriate composition to effectively execute its duties;

> directors are appointed through a formal process; and

> induction and ongoing training and development of directors take place.

The CEO is an invitee who regularly attends these committee meetings.

The committee is satisfied that it has fulfilled its responsibilities in accordance with the committee's terms of reference.

Investment committee

The committee was established on 22 June 2015 to assist the board:

> to review and consider the financial and other aspects of material investment or, disinvestment activity proposed by management and approved by the executive committee;

> in the determination of the most appropriate and advantageous method of funding material investments and the best capital structure of the company in pursuing its investment strategy;

> to approve acquisitions, disposals and capital expenditure in line with the limits of authority delegated to it and in line with the strategy, determined by the board;

> by making such recommendations as it considers appropriate to the board;

> to conduct post implementation reviews of acquisitions; and

> with the acquisition strategy of the group.

Company secretary

All directors have access to the advice and services of the company secretary.

The company secretary:

> provides guidance and advice to the board on matters of ethics and good corporate governance, and ensures compliance with statutory requirements;

> works with the board to ensure compliance with the rules of the JSE Listings Requirements;

> oversees the induction of new directors; and

> assists the chairman and the CEO in formulating the annual board plan and other related matters.

The board was satisfied that the company secretary is suitably qualified and experienced. An arm's length relationship exists with the company secretary as she is not a director of the company and has no separate relationship of any nature with any of the directors which could lead to any conflict of interest or dilution of the company secretary's independence.

Subsequent to year end, the company secretary, CC Koopman, resigned effective 28 April 2017. An announcement regarding a replacement will be made in due course.

Compliance governance

The company has an established legal department with two qualified attorneys, one of whom is the company secretary.

The group endeavours to stay abreast of all intended or promulgated legislation through regular interaction with its legal department. The following regulations continued to have a significant impact on the group:

> Companies Act;

> Employment Equity Act;

> Broad-based Black Economic Empowerment Act and related Codes of Good Practice;

- South African Schools Act;
- National Credit Act;
- Consumer Protection Act;
- Higher Education Act; and
- General and further Education and Training Quality Assurance Act.

The following will be key focus areas in 2017:

- Protection of Personal Information Act (POPI);
- Broad-based Black Economic Empowerment Act and related Codes of Good Practice;
- King IV Report of Corporate Governance in South Africa;
- Employment Equity Act;
- Higher Education Act; and
- Umalusi Policy and Criteria, upon publication of the final version, under the General and Further Education and Training Quality Assurance Act.

There have been no material or repeated regulatory penalties, sanctions or fines for contraventions of statutory obligations in the 2016 financial year.

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 who is likely to come into possession of price-sensitive information, may deal directly or indirectly in the company's shares during closed periods. The group adheres to the JSE Listings Requirements of at least two closed periods in each financial year. The first begins at the end of June until the publication of the interim results, and the second at the end of December, the group's financial year-end, until the final audited results for the year are released. Further closed periods are declared as and when circumstances dictate.

Dealing in the company's shares by directors and members of Exco requires prior clearance from the chairman, and the company secretary retains a record of such dealings and approvals. Identified employees who are likely to have access to price-sensitive information require clearance from the group CEO before trading in the company's shares.

Related-party transactions

Members of the board must disclose any conflict of interest they may have at board meetings, and as a matter of practice, 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

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 CEOs, DL Honey and A Isaakidis, as prescribed officers in terms of the Companies Act. They are also members of Exco.

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

Exco

S van Zyl, a member of Exco, has been awarded CrawfordSchools™ bursaries for his children in terms of the group's bursary policy.

F Coughlan, a member of Exco, has been awarded CrawfordSchools™, Varsity College and Vega School bursaries for her children in terms of the group's bursary policy.

Ethics

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. Tsec 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 both the letter and the spirit of the law and group policies.

Further details on ethics management can be found in the Tsec report on page 53 of this report.

Information and communication technology governance

Information and communication technology (ICT) is regarded as an essential component in the management of the group's business on a sustainable basis, and is therefore dealt with at the highest levels. The board has primary responsibility for ICT governance and for ensuring that prudent and reasonable steps have been taken to make ICT strategy an integral part of and aligned with the group's strategic objectives.

The ICT department is headed by the chief information officer (CIO) who is a member of Exco and has regular interaction with board members. A framework for the management of ICT within the group has been developed. A centralised ICT department is responsible for infrastructure and overall architecture of the systems, while operations identify and manage technology appropriate for their business processes. The framework makes provision for an ICT steering committee under the chairmanship of the group CEO to co-ordinate ICT across the group and ensure appropriate distribution of resources. The ICT management committee provides a forum for practical implementation and problem solving by the operations.

Strategic risks associated with ICT have been identified and are monitored, and the management thereof is overseen by the risk committee.

The group reviews its current technology on an ongoing basis, while considering opportunities to identify new and innovative technology that can be integrated into its strategy and processes. Security, disaster recovery and data management are also essential focuses of the ICT department.

King Report on Corporate Governance in South Africa

The group remains committed to managing its operations in accordance with the highest ethical standards. It supports the values of corporate governance advocated in the King Reports on Corporate Governance and substantially complies with the principles contained in the Code of Corporate Practices forming part of King III and is working on a King IV implementation plan.

A register in terms of King III, indicating instances of non-compliance, can be found on the website at www.advtech.co.za.

REMUNERATION COMMITTEE REPORT

THE REMUNERATION COMMITTEE, OR REMCOM, IS A COMMITTEE OF THE BOARD WITH THE RESPONSIBILITY TO OVERSEE REMUNERATION WITHIN THE GROUP.

The financial reward offered by the group must be sufficient to attract people of the required calibre. Failure to attract the right people may have a negative impact on the performance of the group and, consequently, on the returns to its stakeholders. People are the most important part of the group's business and remuneration therefore receives considerable attention.

All members of RemCom are categorised as independent non-executive directors. The members of RemCom are:

> CH Boulle;
> KDM Warburton; and
> SA Zinn (chair).

RemCom meets as and when required and during the year under review, the committee met six times. Meeting attendance is set out in the corporate governance report on page 47.

Remuneration policy

RemCom seeks to entrench a culture of high performance by aligning the group's remuneration philosophy with its business objectives, values and strategy. It also ensures that remuneration practices are based on principles of sound governance.

The independence of RemCom in determining the remuneration and bonus policies for all employees, and in review and approval of remuneration and bonuses payable to executive management, is key to this process.

Remuneration is required to be benchmarked annually against the market and aligned with group performance. This aims to ensure that remuneration packages remain competitive and appropriate. Remuneration, by its structure and level, seeks to attract and retain outstanding individuals and provide 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. Guidance is provided in the group's integrated remuneration policy, which seeks to combine and calibrate all forms of remuneration.

Remuneration report

Conditions of employment 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. In an education environment, non-material aspects (such as study leave and study assistance) are welcomed by employees.

During the year under review, the group was re-certified as a Top Employer with an improved score. While delighted with the acknowledgement of its policies and processes, the group is currently assessing those areas where it can further improve its practices and processes. The group also received a gold seal of excellence award in the Deloitte "Best Company to Work For" survey. Continued participation in these surveys is evidence of the group's commitment to maximising the benefits of remuneration policies and practices for both employees and the group.

Guaranteed remuneration is offered on a cost-to-company basis. This includes benefits such as medical aid (optional) and retirement funding (mandatory). 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, where it is likely to lead to enhanced performance of the group. Incentive opportunities range from 5% to 100% (and, in exceptional circumstances, discussed below, may exceed 100%) of guaranteed cost-to-company packages. Performance management requires the setting of agreed key performance indicators (KPIs) with management at the beginning of each year. Employees' performance is measured against the agreed indicators and increases, bonuses and other incentive-related remuneration are determined according to the achievement of these agreed KPIs.

The group has disclosed the remuneration of its prescribed officers. They are the two highest paid employees who are not directors of the group.

In implementing the remuneration policy at executive management level:

> management continues to work towards their target (set in 2015) of achieving normalised earnings per share (NEPS) of 100 cents by 2018, which forms the basis of the financial performance aspect of the group's strategy as approved by the board;

> annual interim targets, which are in effect building blocks leading towards the achievement of the stretch target, were set and have been agreed with executive management;

> failure to meet certain pre-agreed goals could lead to penalties of up to 50% of an executive's bonus being imposed, per instance of non-achievement;

> the scheme provides for payment of annual bonuses over a four-year period, which rewards management for meeting budget, but provides further incentive to exceed budget and even the stretch target;

> having regard to the target of 100 cents set by management, the board formulated a scheme for payment of executive bonuses on the achievement of a stretched target of NEPS of 102 cents by 2018. Predetermined criteria and annual steps towards this stretched target have been established;

> executives have KPIs based on the achievement of a combination of group and divisional or individual targets with detailed individual hurdles set and calibrated according to each executive's specific area of responsibility and performance targets for that area;

> a bonus opportunity of 100% of annual package is available to the group CEO upon achievement of agreed KPIs, with provision made for the CEO to earn in excess of 100% of his cost-to-company package for significant outperformance of the agreed stretch target;

> other executives have a bonus opportunity of up to 80% of annual package, again with provision made for the executives to earn in excess of 80% of their cost-to-company package for significant outperformance of the agreed stretch target;

> for the 2016 financial year, executive bonuses, accrued at year-end but paid after year-end, amounted to 74% (2015: 95%) of the bonus opportunity;

> annual awards are made to executive and senior management in terms of the long-term incentive schemes (share incentive scheme and long-term incentive bonus). Awards are made having regard to seniority and performance of the individual and the group at the time when the award is made;

> each award in terms of the share incentive scheme extends over a period of six years, with three opportunities (at the end of years two, four and six) to exercise the options; and

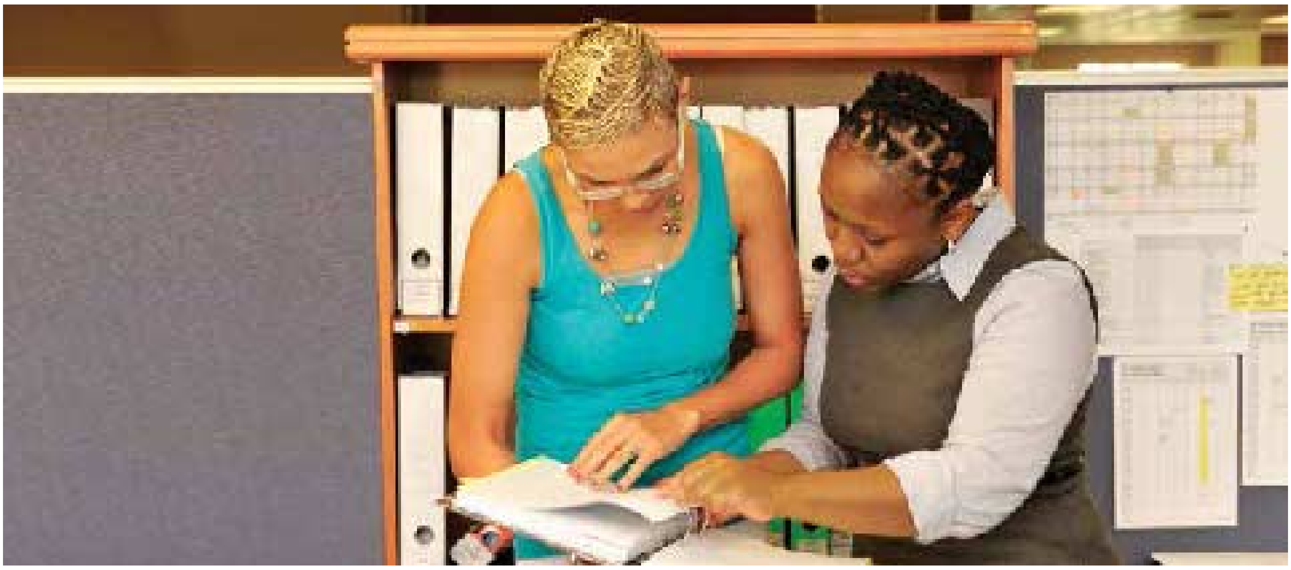
> the long-term incentive bonus scheme extends over a period of three years and is payable at various rates dependent on the compound annual growth rate of normalised earnings per share achieved by the group in the final year.

Note 16 of the annual financial statements contains more information regarding the share incentive scheme.

Details of the 2018 targets are set out below with a breakdown of the bonus opportunity available at various levels. The hurdles to be achieved by executives in 2016 were based on the second step in the 2018 targets.

		CEO	Group financial director	Education divisional CEO	Resourcing divisional CEO	Executive functional heads
Group normalised earnings per share in 2018						
– minimum target	92 cents	0%	0%	0%	0%	0%
– mid target	97 cents	20%	20%	13%	13%	13%
– stretch target	102 cents	60%	60%	40%	40%	40%
Group revenue						
– minimum target	95% of budget	0%				
– mid target	100% of budget	5%				
– stretch target	110% of budget	15%				
Divisional operating profit						
– minimum target	95% of budget	0%	0%			
– mid target	100% of budget	10%	15%			
– stretch target	115% of budget	30%	40%			
Full-time enrolments (excluding acquisitions)						
– minimum target	95% of target	0%	0%			
– mid target	100% of target	5%		5%		
– stretch target	105% of target	15%		10%		
Personal KPIs		10%	20%			20%
Total bonus opportunity		100%	80%	80%	80%	60%
Possible discount for non-achievement of group strategic initiatives		50%	40%	40%	40%	30%
Maximum additional bonus for surpassing stretch targets		20%	16%	16%	16%	12%

REMUNERATION COMMITTEE REPORT CONTINUED



Remuneration is structured according to the following framework:

General employees

To encourage a high-performance culture within the group, each employee has agreed KPIs that create a direct link between performance and remuneration. Managers review each employee's performance during the year against these KPIs, so that changes can be made in appropriate circumstances, and high performers can be rewarded.

Appropriate recognition is given to the qualifications of professional employees.

All remuneration is benchmarked annually, with remuneration of educators and academic employees being benchmarked against the State and other comparable institutions.

The remuneration of recruitment employees is based on an incentive structure linked to rigorous quality standards, with consultants and supervisors receiving performance-related packages that include a significant portion of variable pay. Remuneration of recruitment staff is reviewed quarterly and adjusted in appropriate circumstances.

Senior employees and management

The remuneration structure for senior employees and management encompasses three elements:

> a guaranteed cost-to-company package;

> annual incentive remuneration based on predetermined KPIs; and

> variable long-term incentive remuneration in the form of an opportunity to participate in either the ADvTECH Limited share incentive scheme or the long-term incentive bonus scheme.

Executive management

Executive management are offered a similar remuneration structure to that of senior employees and management which consists of the same three elements.

Share incentive scheme

The remuneration committee approved the award of 2 399 800 (2015: 2 958 000) share options under the current ADvTECH share incentive scheme to executive and senior management during the year under review. Further details are set out in note 16 of the annual financial statements.

The committee has reviewed the current ADvTECH share incentive scheme to executive and senior management and determined that the scheme be replaced, subject to shareholder approval at the next AGM to be held on 18 May 2017, by a share award scheme which is designed to:

> promote good performance in relation to predetermined performance objectives;

> retain valuable skills and experience; and

> better align executive management with shareholders.

Further details regarding the share award scheme will be published in the AGM notice to be circulated to shareholders in due course.

Long-term incentive bonus scheme

The long-term incentive bonus scheme was established in 2013, 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 may take part 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 headline earnings per share (HEPS) achieved by the group over a three-year period. The first payment is due in 2017. This scheme is under consideration as part of the review of the incentive schemes available.

Directors

The fees payable to non-executive directors were approved by special resolution of the shareholders at the AGM held on 24 May 2016, as required by the Companies Act. A proposal regarding revised fees for non-executive directors for 2017 will be placed before shareholders at the AGM on 18 May 2017 for approval. Executive management makes a recommendation to the board on fees to be paid to non-executive directors during the year. Non-executive directors' remuneration is based on a combined annual retainer and a fee for attendance at meetings.

On behalf of the remuneration committee
Professor SA Zinn
Chair: Remunerations committee
14 March 2017

TRANSFORMATION, SOCIAL AND ETHICS COMMITTEE

THE TRANSFORMATION, SOCIAL AND ETHICS COMMITTEE (TSEC) ASSISTS THE BOARD IN MONITORING THE COMPANY'S PERFORMANCE AGAINST ITS TRANSFORMATION OBJECTIVES AND AS A RESPONSIBLE CORPORATE CITIZEN WITH A SUSTAINABLE BUSINESS.

This report has been prepared in accordance with the requirements of the South African Companies Act, No 71 of 2008, as amended (the Companies Act) and describes how Tsec has discharged its statutory duties in terms of the Companies Act as well as additional duties assigned to it by the board in respect of the year under review.

Committee members

Tsec comprises four suitably qualified and experienced independent non-executive members of the board and the group CEO:

> RJ Douglas (CEO);
> BM Gourley (deputy chair);
> JM Hofmeyr.
> JD Jansen (chair); and
> SA Zinn.

The divisional CEOs of the operating divisions attend all meetings, as does the group HR executive and other members of management, at the request of the committee. Members attendance at the meetings is detailed in the schedules included in the corporate governance report.

The committee's mandate requires that the committee meets at least twice annually. During the year under review, the committee met three times.

Tsec's role and responsibilities are governed by formal terms of reference approved by the board. The mandate is reviewed and, if appropriate, adjusted on a regular basis.

Role and responsibilities

In terms of its statutory duties, Tsec's role is to assist the board with monitoring and reporting on social issues, especially regarding sustainability.

Other duties assigned to Tsec by the board include assisting the board in ensuring that the transformation efforts of the group are implemented, and making recommendations in this regard.

In particular, during 2016:

> the committee received reports on all corporate social investment (CSI) undertaken by the group within the operating divisions and at a corporate level;
> the committee monitored the group's efforts to encourage diversity and advance the objectives of equality throughout the group;
> progress of the group towards defined transformation objectives and targets was measured and considered;
> the group HR executive provided a report at each meeting on labour and empowerment-related matters;
> the company was recognised as a Top Employer (with an improved overall score) and an improved gold standard of excellence award in the Deloitte "Best Company to Work For" survey;
> the provisions of the revised Broad-based Black Economic Empowerment (BBBEE) Codes of Good Practice were considered in some detail, as well as their implications for the group; and
> the group's BBBEE ratings during the year were presented to and considered by the committee.

Ethics

Compliance with ethical standards of behaviour is of primary importance to the group and this has found expression in the group's values. We lead by example through our commitment to ethical conduct at all times. These values are reviewed regularly to ensure that they remain current and relevant.

Integrity is fundamental to the way 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. Tsec oversees the group's adherence to these ethical standards. Group personnel are required to act with the utmost integrity, objectivity and in compliance with both the letter and the spirit of 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.

Employment equity

The group actively promotes employment equity in all its operations. There are specific programmes that target employment equity candidates to fast-track their development, including a well-entrenched mentorship programme. Black management participation in the management development and leadership development programmes has increased year on year. Further information on these programmes can be found on the website at www.advtech.co.za.

Tsec also remains focused on working toward effecting changes in the hearts and minds of employees, students and candidates to bring about the necessary social change within the organisation.

All employees are encouraged to develop to their full potential, both for their own benefit and for that of the group.

Reporting

Tsec is of the view that, in all material respects, it has achieved its objectives for the year under review and that no items have been reported which would indicate non-compliance with the mandate of Tsec or its statutory requirements in terms of the Companies Act.

On behalf of the transformation, social and ethics committee

Professor JD Jansen
Chair: transformation, social and ethics committee
16 February 2017

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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 pages 56 to 59.

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 and company will not remain a going concern for the foreseeable future.

The preparation of the group's consolidated financial statements for the year ended 31 December 2016 was supervised by JDR Oesch CA(SA), the group's financial director.

The annual financial statements set out on pages 60 to 110 were approved by the board of directors on 17 March 2017 and are signed on its behalf by:

CH Boulle
Chairman

RJ Douglas
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.

CC Koopman
Group company secretary

17 March 2017

INDEPENDENT AUDITOR'S REPORT

to the shareholders of ADvTECH Limited

Report on the audit of the financial statements

Opinion

We have audited the consolidated and separate financial statements of ADvTECH Limited and its subsidiaries ("the group") set out on pages 67 to 110, which comprise the consolidated and separate statements of financial position as at 31 December 2016, and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the group as at 31 December 2016 and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report. We are independent of the group in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in the audit
Valuation of goodwill and indefinite life intangible assets	
Goodwill and indefinite useful life intangible assets comprise 27% (2015: 27%) of the total assets of the group. These assets have been recognised in the consolidated statement of financial position as a consequence of acquisitions made by the group. As required by the applicable accounting standards, the directors conduct annual impairment tests to assess the recoverability of the carrying value of goodwill and indefinite useful life intangible assets. This is performed using discounted cash flow models, as disclosed in note 14. There are a number of key sensitive judgements made in determining the inputs into these models which include: • Revenue growth • Operating margins • Discount rates applied to the projected cash flows. Accordingly, the impairment tests of these assets is considered to be a key audit matter.	We focused our testing of the impairment of goodwill and indefinite useful life intangible assets on the key assumptions made by the directors. Our procedures included: • Analysing the future projected cash flows used in the models to determine whether they are reasonable and supportable given the current macroeconomic climate and expected future performance of the cash generating unit to which the goodwill and indefinite useful life intangible assets relate; • Comparing the projected cash flows, including the assumptions relating to revenue growth rates and operating margins, against historical performance to test the reasonableness of the directors' projections; • Evaluating the inputs used by the directors in determining the discount rate against independent sources. We found the assumptions used by the directors to be appropriate based on historical performance, future outlook and current circumstances. We considered the goodwill impairment disclosures to be appropriate.

Key audit matter	How the matter was addressed in the audit
Valuation of allowance for doubtful debts	
The group reflected R317 million (2015: R248 million) worth of receivables as at 31 December 2016 as disclosed in note 20 to the financial statements against which an allowance for doubtful debts of R136 million (2015: R113 million) has been recognised. Where there is objective evidence of impairment, the group is required to determine and recognise an appropriate allowance for doubtful debts. Due to the nature of the group's education operations, debtors are expected to be settled within the financial and academic year they arise and therefore debtors outstanding beyond this period would be at risk of non-recovery. Determining the value of provisioning required against the debtors' book requires a high degree of judgement and estimate. In determining the allowance for doubtful debts, the director's valuation utilises a number of key judgements which include the projection of the amount and timing of future cash inflows related to the receivables. Accordingly the determination of the allowance for doubtful debts is considered to be a key audit matter.	Our audit procedures focused on the evaluation of the key judgements and estimates used in the directors' determination of the allowance for doubtful debts. The procedures on key judgements included: • Comparison of historical projected cash inflows to actual inflows to assess the accuracy of the directors' projections and the assumption that historical collections are a reasonable basis for determining future collections; • Analysis of the provision at a brand level as a proportion of total debtors and revenue to identify and investigate unusual fluctuations; • Comparison of the ageing of receivables over a period of time to identify unusual trends; • Analysing projected cash flows to determine if they are supportable given current macroeconomic conditions and future expected performance; • Testing the mathematical accuracy of the model to ensure the ratio of historical collections per aging bracket of debt has been accurately applied to current year debt. We found the assumptions used by the directors to be appropriate based on historical performance, anticipated future outlook and current circumstances. We consider the disclosure of the allowance for doubtful debts to be adequate.
Capitalisation of property costs	
Note 12 of the financial statements discloses that the group made significant additions to land and buildings of R245 million (2015: R315 million). Included in this is a significant amount related to new construction of and upgrades to existing buildings. The high level of capital expenditure requires consideration of the nature of costs incurred to ensure that capitalisation of property, plant and equipment meets the recognition criteria in IAS 16, 'Property, Plant and Equipment' (IAS 16), in relation to assets constructed by the group, and has therefore been identified as a key audit matter.	Our audit work included assessing the nature of property costs capitalised by the group to test the validity of amounts capitalised and evaluating whether assets capitalised meet the recognition criteria set out in IAS 16. Furthermore we examined the method on which the directors accrued for costs where construction of an asset occurs over an extended period of time with reference to project reports and other supporting evidence reports. The capitalisation of assets was assessed to be appropriate.

INDEPENDENT AUDITOR'S REPORT

to the shareholders of ADvTECH Limited *(continued)*

Other information

The directors are responsible for the other information. The other information comprises the directors' report, the audit committee's report and the company secretary's certificate, as required by the Companies Act of South Africa, as well as the integrated report which we obtained prior to the date of this auditor's report. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

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

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group or company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2016, we report that Deloitte & Touche has been the auditor of ADvTECH Limited for 15 years.

Deloitte & Touche

Deloitte & Touche
Registered Auditor
Per: H Loonat
Partner

17 March 2017

National Executive: *LL Bam **Chief Executive Officer**; *TMM Jordan **Deputy Chief Executive Officer**; *MJ Jarvis **Chief Operating Officer**; *GM Pinnock **Audit**; *N Sing **Risk Advisory**; *NB Kader **Tax**; TP Pillay **Consulting**; S Gwala **BPaaS** *K Black **Clients & Industries**; *JK Mazzocco **Talent & Transformation**; *MJ Comber **Reputation and Risk**; *TJ Brown, **Chairman of the Board**.

** Partner and Registered Auditor.*

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

B-BBEE rating: Level 2 contributor in terms of the DTI Generic Scorecard as per the amended Codes of Good Practice.

Associate of Deloitte Africa, a Member of Deloitte Touche Tohmatsu Limited.

AUDIT COMMITTEE REPORT

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.

Membership and meetings

The committee members are all non-executive directors and satisfy the requirements of independence as required by the Companies Act.

The board recommends that the following directors, who are current members of the committee, stand for re-election by shareholders at the annual general meeting (AGM) on 18 May 2017, to hold office until the following AGM:

- CH Boulle;
- JS Chimhanzi;
- BM Gourley; and
- KDM Warburton (chairman).

CH Boulle, chairman of the board, is a member of the audit committee which, although contrary to the recommendations of King III, is in compliance with the JSE Listings Requirements. Shareholders will be made aware of this dual role at the AGM when asked to re-appoint him. CH Boulle's skills and experience as a commercial attorney are invaluable to the audit committee.

The committee meets at least three times per year as required by its terms of reference. Meetings are attended by the internal and external auditors, the chief executive officer (CEO) and group financial director, as well as other board members and invitees as considered appropriate by the committee's chairman. Details of the number of meetings held and attendance by committee members can be found in the governance report on page 47.

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

Role and responsibilities

The audit committee's duties and responsibilities are a combination of statutory duties and such other oversight of the financial function and its reporting processes as mandated by the board. It also assists the board in discharging its responsibilities to ensure that proper accounting records are maintained, oversees the financial reporting process and ensures compliance with accounting policies, group policies, legal requirements and internal controls.

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 regard 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 external audit plans, findings, problems, reports and fees;
- ensuring that non-audit services will not be obtained from the external auditors where the provision of such services could impair audit independence;
- reviewing and recommending the approval of interim and annual results; and
- reviewing, considering and making recommendations regarding distributions or dividend payments to shareholders.

Integrated annual report 2016

The committee has evaluated the integrated annual report for the year ended 31 December 2016 and is satisfied that it complies in all material respects with the requirements of the Companies Act, the IIRC's International (IR) Framework, King III, as well as IFRS and the JSE Listings Requirements.

Internal control

The board and Exco are ultimately responsible for overseeing the establishment of effective internal control systems to provide reasonable assurance that the group's financial and non-financial objectives are achieved.

Internal 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.

The internal audit department monitors the operation of the internal controls and systems and reports their findings and recommendations to management and the audit committee. Corrective action is taken to address control deficiencies and improve systems where opportunities are identified.

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.

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 functionally to the chairman of the audit committee and on an administrative basis to the group financial director with direct access to the group CEO.

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 an annual written assessment of the system of internal financial controls and risk management to the board and the audit committee. Nothing has come to the attention of the committee to indicate that any material breach of these controls has occurred during the year under review.

Accounting and auditing

The directors are responsible for ensuring that group companies maintain adequate records and 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 the various IFRSs.

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 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.

The external and internal auditors have unrestricted access to the audit committee to ensure that their independence is in no way impaired. At least once annually (but generally prior to every meeting), the audit committee chairman meets independently with representatives of internal and external audit. Time is also set aside at least once a year (but generally at the end of every meeting) for the committee to meet independently of executive management with representatives of the internal and external auditors.

Finance function

The audit committee has considered and is satisfied with the continued appropriateness of the expertise and experience of the group financial director, JDR Oesch CA(SA), and the finance function.

Reporting

The committee has discharged all its responsibilities and carried out all its functions as contained in its terms of reference and as required by the Companies Act. In particular, the committee:

- reviewed the interim and 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 2017 financial year at the AGM, with H Loonat as the designated auditor;
- determined the fees to be paid to the external auditors and their terms of engagement;
- determined the nature and extent of non-audit services that may be provided by the external auditors and pre-approved the contract terms for the provision of non-audit services by the external auditors; and
- received and dealt appropriately with any complaints, from within or outside the group, relating to the accounting practices and internal controls of the group, to the content or auditing of its financial statements, the internal financial controls or any related matter.

On behalf of the audit committee

KDM Warburton
Chairman: Audit committee

15 March 2017

DIRECTORS' REPORT

for the year ended 31 December 2016

Your directors have pleasure in presenting their report on the activities of the group and company for the year ended 31 December 2016.

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) (JSE code: ADH and ISIN number: ZAE 0000 31035). 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, especially in IT, finance and engineering.

Financial results

The results for the year ended 31 December 2016 are set out herein.

Stated capital

The number of shares in issue increased during the year under review:

Number of shares in issue at 31 December 2015	530 759 317
Number of shares in issue at 31 December 2016	544 368 530

In July 2016, 13 609 213 new shares were issued to the International Finance Corporation (IFC), a member of the World Bank Group, in accordance with the approval granted by shareholders at the ADvTECH annual general meeting (AGM) of 24 May 2016.

There were no repurchases of shares in the company by the group during the year. All shares are fully paid up and none are encumbered.

Dividends

The board is pleased to announce the declaration of a final gross dividend of 19.0 cents (2015: 17.0 cents) per ordinary share in respect of the year ended 31 December 2016. This brings the full year dividend to 32.5 cents (2015: 29.5 cents) per share.

This is a dividend as defined in the Income Tax Act, 58 of 1962, as amended, and is payable from income reserves. The South African dividend taxation (DT) rate is 20%. The net amount payable to shareholders who are not exempt from DT is 15.2 cents per share, while it is 19.0 cents per share to those shareholders who are exempt from DT. The total dividend amount payable is R103 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 2016 or the financial position at that date.

Compliance with King III

The ADvTECH group is committed to the principles of effective corporate governance and complies substantially with the principles of King III. A detailed analysis of the group's compliance with these principles can be found on the website at www.advtech.co.za.

Special resolutions adopted by the company

The company passed the following special resolutions at the AGM of shareholders held on 24 May 2016:

- non-executive directors' fees;
- authority to make loans or give financial assistance to subsidiaries and related or inter-related companies; and
- general authority to acquire the company's own shares.

Special resolutions adopted by subsidiary companies

Special resolutions in terms of section 45 of the Companies Act, 71 of 2008, as amended (the Act), were passed by certain subsidiaries of the company with general authority to provide financial assistance to related and inter-related companies. No other special resolutions were passed by subsidiaries.

Directorate

Details of directors appear on pages 40 to 41 of this report.

Dr JS Chimhanzi and Dr JM Hofmeyr were appointed as independent non-executive directors of the board with effect from 1 January 2017. Their appointments will be confirmed by shareholders at the AGM on 18 May 2017.

In accordance with the provisions of the company's Memorandum of Incorporation (MoI), CH Boulle and BM Gourley retire by rotation at the forthcoming AGM, and, being eligible, have offered themselves for re-election. Brief biographical notes in respect of each director can be found on pages 40 to 41 of this report.

Interests, share options and emoluments of directors and prescribed officers

Interests of directors and prescribed officers

As at 31 December 2016, the directors' and prescribed officers' beneficial and non-beneficial, direct and indirect interests in the issued share capital of the company were 2% (2015: 2%) in aggregate. The interests of directors and prescribed officers is as follows:

	Beneficial				Non-beneficial			
	Direct		Indirect		Direct		Indirect	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
Directors								
CH Boulle	**3 549**	3 549	**–**	–	**–**	–	**–**	–
RJ Douglas	**95 278**	95 278	**–**	–	**–**	–	**–**	–
BM Gourley	**–**	–	**–**	–	**–**	–	**–**	–
JD Jansen	**–**	–	**–**	–	**–**	–	**–**	–
SC Masie	**–**	–	**–**	–	**–**	–	**–**	–
JDR Oesch	**1 902 228**	1 872 228	**–**	–	**–**	–	**37 312**	37 312
KDM Warburton	**–**	–	**–**	32 064	**–**	–	**–**	–
SA Zinn	**–**	–	**–**	–	**–**	–	**–**	–
Prescribed officers								
DL Honey	**9 090 622**	9 016 567	**–**	–	**–**	–	**128 388**	48 388
A Isaakidis	**1 861 754**	1 704 088	**–**	–	**–**	–	**–**	–
Totals	**12 953 431**	12 691 710	**–**	32 064	**–**	–	**165 700**	85 700

At the date that this financial report was prepared, none of the current directors or prescribed officers of the group have disposed of any of the shares held by them as at 31 December 2016.

DIRECTORS' REPORT

for the year ended 31 December 2016 *(continued)*

Share options of directors and prescribed officers

The directors and prescribed officers held the following share options at 31 December 2016:

	Share options as at 31 December 2015		Share options granted during the year		Share options exercised during the year			**Share options as at 31 December 2016**
	Number	Exercise price (cents)	Number	Exercise price (cents)	Number	Market price at exercise date (cents)	Benefit arising on exercise of options (R)	**Number**
Directors								
RJ Douglas	300 000	580						**300 000**
	80 000	664						**80 000**
	125 000	820						**125 000**
	150 000	1 260						**150 000**
			166 600	1 696				**166 600**
JDR Oesch	66 667	560			66 667	1 654	729 502	**–**
	91 667	575						**91 667**
	60 000	580			30 000	1 735	346 500	**30 000**
	80 000	664						**80 000**
	125 000	820			41 666	1 694	364 213	**83 334**
	150 000	1 260						**150 000**
			123 300	1 696				**123 300**
Prescribed officers								
DL Honey	200 000	560			200 000	1 663	2 206 594	**–**
	91 667	575						**91 667**
	80 000	580			40 000	1 705	450 046	**40 000**
	80 000	664						**80 000**
	100 000	820			33 333	1 704	294 664	**66 667**
	120 000	1 260						**120 000**
			123 300	1 696				**123 300**
A Isaakidis	116 667	560			116 667	1 657	1 279 648	**–**
	91 667	575						**91 667**
	80 000	580			40 000	1 735	462 000	**40 000**
	80 000	664						**80 000**
	125 000	820			41 666	1 640	341 661	**83 334**
	150 000	1 260						**150 000**
	2 543 335		413 200		609 999		6 474 828	**2 346 536**

The share option exercise terms are detailed in note 16 on pages 89 to 90.

Emoluments of directors and prescribed officers

Emoluments paid to directors and prescribed officers of the group (excluding gains on share options exercised) for the year ended 31 December 2016, are set out below:

	Fees R	Salary R	Bonus* R	Expense allowances R	Provident fund contributions R	Consulting fees R	**Total 2016 R**	Total 2015 R
Executive								
RJ Douglas%		3 190 288	3 369 000	180 000	429 712		**7 169 000**	321 126
LW Maasdorp#							**–**	3 208 334
JDR Oesch		2 264 303	2 282 000	150 000	307 823		**5 004 126**	4 827 668
Total executive		5 454 591	5 651 000	330 000	737 535		**12 173 126**	8 357 128
Prescribed officers								
RJ Douglas%							**-**	5 107 364
DL Honey		2 274 003	1 220 000	191 196	302 175		**3 987 374**	4 879 750
A Isaakidis		2 604 138	1 550 000	212 247	67 678		**4 434 063**	4 613 591
FR Thompson**							**-**	5 441 342
Total prescribed officers		4 878 141	2 770 000	403 443	369 853		**8 421 437**	20 042 047
Non-executive								
CH Boulle	821 167						**821 167**	748 940
BM Gourley	678 829					100 000	**778 829**	790 297
JD Jansen	413 991						**413 991**	381 002
JC Livingstone$							**–**	425 808
SC Masie	330 007						**330 007**	319 000
M Nyati***							**–**	194 712
KDM Warburton****	587 574						**587 574**	209 771
SA Zinn	460 978						**460 978**	469 255
Total non-executive	3 292 546					100 000	**3 392 546**	3 538 785

* *Refer to remuneration committee report for details of the executive bonus scheme.*
% *Appointed group chief executive officer with effect from 27 November 2015.*
# *Resigned as group chief executive officer with effect from 23 March 2015.*
** *Acted as interim group chief executive officer from 23 March 2015 to 27 November 2015.*
$ *Retired on 28 July 2015.*
*** *Resigned as director from 3 August 2015.*
**** *Appointed as director from 28 July 2015.*

No director's fees were paid to executive directors during 2016.

DIRECTORS' REPORT

for the year ended 31 December 2016 *(continued)*

Acquisitions

The group acquired Capsicum Culinary Studio (100%) and the Oxbridge group (51% holding) during the year under review. All acquisitions are in line with the published expansion programme. Further details on these acquisitions are detailed in note 33 on pages 100 to 101.

The group has post 31 December acquired Glenwood House School, the University of Africa (51% holding) and Elkanah House School.

All acquisitions are fully held except where otherwise stated.

The acquisitions of Glenwood House, University of Africa and Elkanah House were all effective from 1 January 2017. The initial accounting for these business combinations are incomplete. The disclosure of the acquisition date fair values and related impact cannot be made at this time.

Capsicum

Capsicum Culinary Studio is South Africa's largest chef school. The professional courses offered are internationally accredited and allow graduates entry into the global marketplace. Capsicum's purpose is to support students in developing the key skills, qualities and attitudes required for a successful career in the culinary arts industry.

Oxbridge group

Oxbridge group provides the opportunity for students to study a wide range of nationally and internationally recognised courses and qualifications from home. The distance learning model enables students to work and gain practical experience while they gain relevant theoretical knowledge through their studies.

Glenwood House

Glenwood House School strengthens ADvTECH's position in the Western Cape, joining Abbotts College which has two campuses in the province. The traditional school features three pillars: sport, academic and culture, built on social responsibility and Christian principles. The school offers boarding facilities, which will house 46 students in 2017 who will enjoy a home away from home environment supervised by qualified and dedicated staff.

University of Africa

The University of Africa is a private open distance learning tertiary institution with an expanding portfolio of faculties and programmes, ranging from diplomas to PHD's. As a pan African university, the university's mission is to respond to the actual and realistic needs of students who want to empower themselves, their families, communities and countries.

Elkanah House

Elkanah House strives to create a relaxed, homely, diverse and challenging learning environment, which follows Christian teaching to empower students to develop to their full potential. The acquisition is subject to the due diligence and competition commission approval.

Auditors

Deloitte & Touche, who have been the auditors of the group since 2002, continued in office as auditors of the company and its subsidiaries during the year under review. The 2016 audit is the first audit under the management of H Loonat, the lead independent external auditor.

The audit committee has nominated Deloitte & Touche for re-appointment as auditors of the group and, at the AGM, shareholders will be requested to re-appoint them as the independent external auditors of the company and its subsidiaries, and to confirm H Loonat as the lead independent external auditor.

Company secretary

The company secretary is CC Koopman. Subsequent to the year-end, the company secretary resigned effective 28 April 2017. An announcement regarding a replacement will be made in due course. The company secretary's address, as well as the address of the registered office of the company, is:

Business address	**Postal address**
ADvTECH House	PO Box 2369
Inanda Greens Office Park	Randburg
54 Wierda Road West	2125
Wierda Valley	Email address:
Sandton	groupsec@advtech.co.za
2196	

CONSOLIDATED SEGMENTAL REPORT

for the year ended 31 December 2016

	Percentage increase/ (decrease)	**Audited 2016 R'm**	Audited 2015 R'm
Revenue	24%	**3 353.1**	2 707.7
Schools	15%	**1 643.7**	1 432.0
Tertiary	28%	**1 252.5**	981.5
Resourcing	55%	**460.9**	296.9
Intra group revenue		**(4.0)**	(2.7)
Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA)	33%	**740.6**	557.9
Schools	16%	**421.4**	363.7
Tertiary	57%	**270.9**	172.4
Resourcing	(18%)	**29.1**	35.4
Litigation settlement		**23.5**	–
Corporate and financing costs		**(2.0)**	(12.2)
Litigation		**(2.3)**	(1.4)
Depreciation and amortisation	21%	**132.5**	109.6
Schools	17%	**76.0**	64.9
Tertiary	24%	**47.6**	38.4
Resourcing	41%	**8.9**	6.3
Operating profit before interest	36%	**608.1**	448.3
Schools	16%	**345.4**	298.8
Tertiary	67%	**223.3**	134.0
Resourcing	(31%)	**20.2**	29.1
Litigation settlement		**23.5**	–
Corporate and financing costs		**(2.0)**	(12.2)
Litigation		**(2.3)**	(1.4)
Property, plant and equipment and proprietary technology systems	9%	**2 834.0**	2 593.4
Schools	8%	**2 193.6**	2 032.8
Tertiary	14%	**632.8**	552.7
Resourcing	(4%)	**7.6**	7.9
Current assets	3%	**422.7**	408.5
Schools	3%	**158.1**	154.1
Tertiary	3%	**208.4**	201.8
Resourcing	7%	**56.2**	52.6
Total liabilities	(4%)	**1 968.1**	2 048.2
Schools	(10%)	**1 403.0**	1 552.5
Tertiary	22%	**504.6**	415.2
Resourcing	(25%)	**60.5**	80.5
Capital expenditure	(11%)	**361.8**	406.1
Schools	41%	**269.0**	191.3
Tertiary	(57%)	**90.0**	210.5
Resourcing	(35%)	**2.8**	4.3

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2016

	Notes	**Audited 2016 R'm**	Audited 2015 R'm
Revenue	4	**3 353.1**	2 707.7
Staff costs	5	**(1 681.3)**	(1 340.5)
Rent and occupancy costs		**(226.3)**	(197.1)
Other operating expenses		**(704.9)**	(612.2)
Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA)		**740.6**	557.9
Schools		**421.4**	363.7
Tertiary		**270.9**	172.4
Resourcing		**29.1**	35.4
Litigation settlement		**23.5**	–
Corporate and financing costs		**(2.0)**	(12.2)
Litigation		**(2.3)**	(1.4)
Depreciation and amortisation	5	**(132.5)**	(109.6)
Operating profit before interest	5	**608.1**	448.3
Net finance costs paid		**(81.7)**	(119.7)
Interest received	6.1	**12.6**	7.1
Finance costs	6.2	**(94.3)**	(126.8)
Profit before taxation		**526.4**	328.6
Taxation	7	**(148.5)**	(102.5)
Profit for the year		**377.9**	226.1
Profit for the year attributable to:			
Owners of the parent		**372.4**	224.9
Non-controlling interests		**5.5**	1.2
		377.9	226.1
Earnings per share			
Basic (cents)	8	**70.9**	50.2
Diluted (cents)	8	**70.8**	50.2

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2016

	Audited 2016 R'm	Audited 2015 R'm
Profit for the year	**377.9**	226.1
Other comprehensive income, net of income taxation		
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating foreign operations	**(6.3)**	11.9
Total comprehensive income for the year	**371.6**	238.0
Total comprehensive income for the year attributable to:		
Owners of the parent	**366.1**	237.1
Non-controlling interests	**5.5**	0.9
	371.6	238.0

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2016

	Notes	Share capital R'm	Share premium R'm	Stated capital R'm	Share option reserve R'm	Foreign currency translation reserve R'm	Shares held by the Share Incentive Trust R'm	Retained earnings R'm	Non-controlling interests R'm	Total equity R'm
Balance at 1 January 2015		4.2	117.3	–	13.7	–	(83.3)	876.9	–	928.8
Total comprehensive income for the year						11.9		224.9	1.2	238.0
Profit for the year								224.9	1.2	226.1
Other comprehensive income for the year						11.9				11.9
Dividends declared to shareholders	11							(117.1)		(117.1)
Share-based payment expense	5, 16				3.8					3.8
Conversion of par value shares to no par value shares	23, 24	(4.2)	(117.3)	121.5						–
Shares issued for business combinations	23			336.4						336.4
Shares issued in terms of the rights issue	23			850.0						850.0
Share issue costs	23			(15.2)						(15.2)
Share options exercised					0.9		18.6			19.5
Non-controlling interests arising on acquisitions									10.3	10.3
Balance at 31 December 2015		**–**	**–**	**1 292.7**	**18.4**	**11.9**	**(64.7)**	**984.7**	**11.5**	**2 254.5**
Total comprehensive income for the year						(6.3)		372.4	5.5	371.6
Profit for the year								372.4	5.5	377.9
Other comprehensive income for the year						(6.3)				(6.3)
Dividends declared to shareholders	11							(160.8)	(3.9)	(164.7)
Share-based payment expense	5, 16				5.8					5.8
Shares issued	23			190.7						190.7
Share issue costs	23			(1.5)						(1.5)
Share options exercised					1.1		6.9			8.0
Non-controlling interests arising on acquisitions									12.9	12.9
Balance at 31 December 2016		**–**	**–**	**1 481.9**	**25.3**	**5.6**	**(57.8)**	**1 196.3**	**26.0**	**2 677.3**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2016

	Notes	**Audited 2016 R'm**	Audited 2015 R'm
Assets			
Non-current assets			
Property, plant and equipment	12	**2 788.7**	2 538.6
Proprietary technology systems	13	**45.3**	54.8
Goodwill	14	**1 170.1**	1 085.3
Intangible assets	15	**206.6**	203.5
Investment	18	**12.0**	12.0
		4 222.7	3 894.2
Current assets			
Inventories	19	**6.7**	3.8
Trade and other receivables	20	**235.6**	193.0
Prepayments		**52.2**	35.5
Bank balances and cash	21	**128.2**	176.2
		422.7	408.5
Total assets		**4 645.4**	4 302.7
EQUITY AND LIABILITIES			
Capital and reserves			
Stated capital	23	**1 481.9**	1 292.7
Share option reserve		**25.3**	18.4
Foreign currency translation reserve		**5.6**	11.9
Shares held by the Share Incentive Trust	16	**(57.8)**	(64.7)
Retained earnings		**1 196.3**	984.7
Non-controlling interests		**26.0**	11.5
Total equity		**2 677.3**	2 254.5
Non-current liabilities			
Long-term bank loans	25	**758.0**	801.1
Deferred taxation liabilities	17	**94.1**	98.0
		852.1	899.1
Current liabilities			
Current portion of long-term bank loans	25	**31.1**	16.8
Short-term bank loan	26	**425.0**	515.2
Trade and other payables	27	**338.1**	327.5
Taxation		**8.3**	11.7
Fees received in advance and deposits		**287.5**	276.3
Shareholders for capital distribution		**0.8**	0.8
Shareholders for dividend		**1.0**	0.8
Bank overdraft	21	**24.2**	–
		1 116.0	1 149.1
Total equity and liabilities		**4 645.4**	4 302.7

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2016

	Notes	**Audited 2016 R'm**	Audited 2015 R'm
Cash flows from operating activities			
Cash generated from operations	30.1	**748.9**	555.8
Movement in working capital	30.2	**(40.4)**	1.7
Cash generated by operating activities		**708.5**	557.5
Net finance costs paid		**(81.7)**	(119.7)
– interest received	6.1	**12.6**	7.1
– finance costs	6.2	**(94.3)**	(126.8)
Taxation paid	30.3	**(160.0)**	(98.3)
Dividends paid	30.5	**(164.5)**	(116.9)
Net cash inflow from operating activities		**302.3**	222.6
Cash flows from investing activities			
Additions to property, plant and equipment			
– to maintain operations	30.6	**(116.1)**	(78.0)
– to expand operations	30.7	**(245.0)**	(320.3)
Additions to proprietary technology systems	13	**(0.7)**	(7.8)
Business combinations cash flows	30.8	**(81.4)**	(938.7)
Proceeds on disposal of property, plant and equipment		**2.2**	4.4
Net cash outflow from investing activities		**(441.0)**	(1 340.4)
Cash flows from financing activities			
Shares issued		**189.2**	835.4
(Decrease)/increase in long-term bank loans		**(43.1)**	360.1
Decrease in short-term bank loan		**(75.9)**	(34.8)
Cash movement in shares held by Share Incentive Trust		**8.0**	19.5
Vendor claims reversal		**(11.0)**	–
Net cash inflow from financing activities		**67.2**	1 180.2
Net (decrease)/increase in cash and cash equivalents		**(71.5)**	62.4
Cash and cash equivalents at beginning of the year		**176.2**	113.8
Net foreign exchange differences on cash and cash equivalents		**(0.7)**	–
Cash and cash equivalents at end of the year	21	**104.0**	176.2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2016

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 2016:

- IFRS 7: *Financial Instruments Disclosures* (Annual Improvements 2012-2014 Cycle: Amendment clarifying under what circumstances an entity will have continuing involvement in a transferred financial asset as a result of servicing contracts);
- IFRS 7: *Financial Instruments Disclosures* (Annual Improvements 2012-2014 Cycle: Amendment clarifying the applicability of previous amendments to IFRS 7 issued in December 2011 with regard to offsetting financial assets and financial liabilities in relation to interim financial statements prepared under IAS 34);
- IFRS 10: *Consolidated Financial Statements* (Investment Entities: Applying the consolidation exception: Narrow-scope amendments to IFRS 10, IFRS 12 and IAS 28 introduce clarifications to the requirements when accounting for investment entities. The amendments also provide relief in particular circumstances, which will reduce the costs of applying the standards);
- IFRS 11: *Joint Arrangements* (Amendments adding new guidance on how to account for the acquisition of an interest on a joint operation that constitutes a business which specify the appropriate accounting treatment for such acquisitions);
- IFRS 12: *Disclosure of Interests in Other Entities* (Investment Entities: Applying the Consolidation Exception: Narrow-scope amendments to IFRS 10, IFRS 12 and IAS 28 introduce clarifications to the requirements when accounting for investment entities. The amendments also provide relief in particular circumstances, which will reduce the costs of applying the standards);
- IAS 1: *Presentation of financial statements* (Disclosure Initiative: Amendments designed to encourage entities to apply professional judgement in determining what information to disclose in their financial statements);
- IAS 16: *Property, Plant and Equipment* (Amendment to both IAS 16 and IAS 38 establishing the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. Clarifying that revenue is generally presumed to be an inappropriate basis for measuring the consumption of economic benefits in such assets);
- IAS 16: *Property, Plant and Equipment* (Amendment to IAS 16 and IAS 41 which defines bearer plants and includes bearer plants in the scope of IAS 16 *Property, Plant and Equipment*, rather than IAS 41, allowing such assets to be accounted for after initial recognition in accordance with IAS 16);
- IAS 19: *Employee benefits* (Annual Improvements 2012-2014 Cycle: Clarification of the requirements to determine the discount rate in a regional market sharing the same currency);
- IAS 27: *Consolidated and Separate Financial Statements* (Amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements);
- IAS 28: *Investments in Associates and Joint Ventures* (Applying the Consolidation Exception: Narrow-scope amendments to IFRS 10, IFRS 12 and IAS 28 introduce clarifications to the requirements when accounting for investment entities. The amendments also provide relief in particular circumstances, which will reduce the costs of applying the standards);
- IAS 34: *Interim Financial Reporting* (Annual Improvements 2012-2014 Cycle: Clarification of the meaning of disclosure of information 'elsewhere in the interim financial report');
- IAS 38: *Intangible Assets* (Amendments to IAS 16 and IAS 38 to clarify the basis of calculation of depreciation and amortisation, as being the expected pattern of consumption of the future economic benefits of an asset); and
- IAS 38: *Intangible Assets* (Amendment to both IAS 16 and IAS 38 establishing the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. Clarifying that revenue is generally presumed to be an inappropriate basis for measuring the consumption of economic benefits in such assets).

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 the requirements of the JSE Listings Requirements and 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. The major 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 profit or loss and statement of other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Profit or loss and each component of the other comprehensive income are attributed to the owners of the company and to the non-controlling interests.

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

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

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

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 to the group, liabilities incurred by the group to the former owners of the acquiree and the equity interests issued by the group in exchange for control of the acquiree. Acquisition-related costs are 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2016 *(continued)*

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 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.

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.

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the group's foreign operations are translated into currency units using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (and attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the group's entire interest in a foreign operation, a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

3.10 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2016 *(continued)*

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 adjust 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 profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current taxation is calculated using taxation rates that have been enacted or substantively enacted by the statement of financial position date.

Deferred taxation

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

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

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

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 Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing net profit attributable to owners of the company by the weighted average number of ordinary shares in issue during the year, net of shares repurchased and the group's interest in its own ordinary shares.

Diluted earnings per share

For diluted earnings per share, the weighted average number of ordinary shares in issue, net of shares repurchased, is adjusted for the dilutive effect of potential ordinary shares. Potential ordinary shares are treated as dilutive when their conversion to ordinary shares would decrease basic earnings per share.

Headline earnings per share and normalised earnings per share

The presentation of headline earnings per share is mandated under the JSE Listings Requirements and is calculated in accordance with Circular 3/2013 – Headline Earnings, as issued by the South African Institute of Chartered Accountants.

Normalised earnings is a non-IFRS measure and excludes the impact of certain non-operational income and expense items from reported headline earnings. It is included to provide an additional basis on which to measure the group's normalised earnings performance.

3.15 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 depreciation is recognised in profit or loss.

The annual rates for this purpose are:

Buildings	1%
Computer equipment	25%
Computer software	33.3%
Furniture, fittings and equipment	10% – 20%
Motor vehicles	20%
Video equipment	33.3%
Leasehold improvements	Period of lease

The useful life and residual value of property, plant and equipment is reviewed on an annual basis and when necessary appropriate changes to the estimates are made.

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.

3.16 Intangible assets

Intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on the straight-line basis over the estimated useful lives and is recognised in profit or loss. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Due to their nature, certain brand values have been identified as having an indefinite useful life on the basis that there is no foreseeable end to the period over which the asset will generate economic benefits.

3.17 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.

3.18 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.

3.19 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.

3.20 Share purchases

The ADvTECH Limited Share Incentive Trust holds shares in the company to be used for the settlement of its obligations under its share incentive scheme. Shares held are offset against share capital.

3.21 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:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2016 *(continued)*

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 reliably 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.

3.22 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 other 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.

3.23 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 16 to the consolidated 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 exercises 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.

Useful lives and residual values of property, plant and equipment and intangible assets

Management judgement and assumptions are necessary in estimating the methods of depreciation/amortisation, useful lives and residual values of property, plant and equipment and intangible assets. The group reassesses the estimated useful lives and residual values of components of property, plant and equipment and intangible assets on an ongoing basis and makes appropriate changes as and when necessary. Indefinite useful lives are allocated to intangible assets if there is no foreseeable limit to the period over which the group expects to consume the future economic benefits embodied in the intangible asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2016 *(continued)*

3.24 Standards and interpretation not yet effective

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

IFRS 2	*Share-based Payment* (Classification and measurement of share-based payment transactions: A collection of three distinct narrow-scope amendments dealing with classification and measurement of share-based payments)	Annual period beginning on or after 1 January 2018
IFRS 9	*Financial Instruments* (New standard)	Annual period beginning on or after 1 January 2018
IFRS 12	*Disclosure of Interests in Other Entities* (Annual Improvements 2014-2016 Cycle: Clarification of the scope of IFRS 12 with respect to interests in entities classified as held for sale in accordance with IFRS *5 Non-current Assets Held for Sale and Discontinued Operations*)	Annual period beginning on or after 1 January 2017
IFRS 15	*Revenue from Contracts from Customers* (New standard)	Annual period beginning on or after 1 January 2018
IFRS 16	*Leases* (New standard)	Annual period beginning on or after 1 January 2019
IAS 7	*Statement of Cash Flows* (Disclosure Initiative: Amendments requiring entities to disclose information about changes in their financing liabilities. The additional disclosures will help investors to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes (such as foreign exchange gains or losses)	Annual period beginning on or after 1 January 2017
IAS 12	*Income Taxes* (Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12): Narrow-scope amendment to clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value)	Annual period beginning on or after 1 January 2017
IAS 28	*Investments in Associates and Joint Ventures* (Annual Improvements 2014-2016 Cycle: Clarification that a venture capital organisation, or a mutual fund, unit trust and similar entities may elect, at initial recognition, to measure investments in an associate or joint venture at fair value through profit or loss separately for each associate or joint venture)	Annual period beginning on or after 1 January 2018
IFRIC 22	*Foreign Currency Transactions and Advance Consideration* (This interpretation addresses the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency)	Annual period beginning on or after 1 January 2018

The effect on the financial statements of the standards and interpretation that have been published but are not yet effective is being assessed.

The group intends to adopt the above standards and interpretation at the start of the financial period following the effective date.

	Notes	Audited 2016 R'm	Audited 2015 R'm
4. Revenue			
Tuition fees		**2 894.9**	2 408.6
Placement fees		**449.9**	281.8
Sale of goods and services		**12.3**	20.0
Intra group revenue		**(4.0)**	(2.7)
		3 353.1	2 707.7
5. Operating profit before interest			
Operating profit before interest is stated after taking the following into account:			
Auditors' remuneration		**8.1**	8.3
– Current year audit fee		**7.4**	7.9
– Prior year under provision		**0.2**	0.3
– Other services		**0.5**	0.1
Amortisation		**25.3**	18.4
– Proprietary technology systems	13	**10.2**	8.7
– Intangible assets	15	**15.1**	9.7
Depreciation	12	**107.2**	91.2
– Land and buildings		**17.2**	13.4
– Computer equipment		**35.9**	28.3
– Computer software		**1.7**	1.3
– Furniture, fittings and equipment		**24.4**	20.0
– Motor vehicles		**5.4**	4.5
– Video equipment		**0.7**	0.7
– Leasehold improvements		**21.9**	23.0
Total depreciation and amortisation		**132.5**	109.6
Foreign exchange gains		**(0.7)**	(0.7)
Foreign exchange losses		**0.6**	0.4
Operating lease charges		**119.5**	107.8
– Premises		**113.5**	105.9
– Equipment		**6.0**	1.9
Professional fees		**10.8**	17.8
Loss on sale of property, plant and equipment		**1.5**	4.9
Directors' emoluments		**15.6**	11.9
– For services as directors		**3.3**	3.4
– For managerial and other services		**12.3**	8.5
Pension and provident fund contributions		**91.8**	82.1
Share-based payment expense	16	**5.8**	3.8
Staff costs		**1 568.1**	1 242.7
Total staff costs		**1 681.3**	1 340.5
Number of staff (at year-end)		**5 916**	5 441
Number of staff covered by retirement plans (at year-end)		**3 717**	3 535

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2016 *(continued)*

	Note	**Audited 2016 R'm**	Audited 2015 R'm
6. Net finance costs paid			
6.1 Interest received			
Call accounts		**4.1**	3.2
Current accounts		**0.8**	3.0
Other		**7.7**	0.9
		12.6	7.1
6.2 Finance costs			
Bank loans		**(92.4)**	(119.6)
Bank loans facility fees		**(1.4)**	(7.0)
South African Revenue Service and other revenue authorities		**(0.5)**	–
Other		**–**	(0.2)
		(94.3)	(126.8)
Net finance costs paid		**(81.7)**	(119.7)
7. Taxation			
7.1 Taxation expense comprises			
Current taxation – current year		**156.6**	108.3
– prior year (over)/under provision		**(0.2)**	1.1
Deferred taxation – current year	17	**(7.1)**	(3.7)
– prior year over provision	17	**(0.8)**	(3.2)
Total taxation expense		**148.5**	102.5
Estimated taxation losses for the group carried forward at year-end were R20.3 million (2015: R21.3 million).			
Deferred taxation assets relating to taxation losses to the value of R4.1 million (2015: R5.3 million) have not been raised in the group.			
7.2 Reconciliation of taxation			
Profit before taxation		**526.4**	328.6
Taxation at 28%		**147.4**	92.0
Foreign taxation effect		**(2.6)**	(0.8)
Permanent differences		**4.7**	13.4
Disallowable expenditure – depreciation on buildings		**7.6**	7.3
– other		**3.5**	6.1
– foreign entities		**0.2**	–
Exempt income		**(6.6)**	–
Current taxation – prior year (over)/under provision		**(0.2)**	1.1
Deferred taxation – prior year over provision		**(0.8)**	(3.2)
Taxation expense recognised in profit		**148.5**	102.5

	Audited 2016 R'm	Audited 2015 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	**372.4**	224.9
Number of shares		
Weighted average number of shares ('m)	**536.4**	461.0
Less: Weighted average number of shares held by the Share Incentive Trust ('m)	**(11.2)**	(13.2)
Weighted average number of shares for purposes of basic earnings per share ('m)	**525.2**	447.8
Effect of dilutive potential ordinary shares ('m)	**0.5**	–
Weighted average number of shares for purposes of diluted earnings per share ('m)	**525.7**	447.8
Earnings per share		
Basic (cents)	**70.9**	50.2
Diluted (cents)	**70.8**	50.2

	Audited 2016 R'm		Audited 2015 R'm	
	Gross	**Net**	Gross	Net
9. Headline earnings per share				
Earnings				
Earnings for the purpose of basic and diluted earnings per share		**372.4**		224.9
Items excluded from headline earnings per share				
Loss on sale of property, plant and equipment	**1.5**	**1.1**	4.9	3.5
Earnings for the purpose of headline earnings per share		**373.5**		228.4

	Audited 2016	Audited 2015
Number of shares		
Weighted average number of shares ('m)	**536.4**	461.0
Less: Weighted average number of shares held by the Share Incentive Trust ('m)	**(11.2)**	(13.2)
Weighted average number of shares for purposes of basic headline earnings per share ('m)	**525.2**	447.8
Effect of dilutive potential ordinary shares ('m)	**0.5**	–
Weighted average number of shares for purposes of diluted headline earnings per share ('m)	**525.7**	447.8
Headline earnings per share		
Basic (cents)	**71.1**	51.0
Diluted (cents)	**71.0**	51.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2016 *(continued)*

	Audited 2016 R'm		Audited 2015 R'm	
	Gross	**Net**	Gross	Net
10. Normalised earnings per share				
Earnings				
Earnings for the purpose of basic and diluted headline earnings per share		**373.5**		228.4
Items excluded from normalised earnings per share	**(24.7)**	**(23.4)**	13.6	13.1
Litigation costs	**2.3**	**2.3**	1.4	1.4
Corporate and financing costs				
Corporate action costs	**1.3**	**1.3**	12.2	11.7
Facility initiation costs	**0.7**	**0.5**	–	–
Litigation settlement				
Settlement received	**(18.0)**	**(18.0)**	–	–
Reversal of provision for counterclaim	**(5.5)**	**(5.5)**	–	–
Reversal of interest on provision for counterclaim	**(5.5)**	**(4.0)**	–	–
Earnings for the purpose of normalised earnings per share		**350.1**		241.5

	Audited 2016 R'm	Audited 2015 R'm
Number of shares		
Weighted average number of shares ('m)	**536.4**	461.0
Less: Weighted average number of shares held by the Share Incentive Trust ('m)	**(11.2)**	(13.2)
Weighted average number of shares for purposes of basic normalised earnings per share ('m)	**525.2**	447.8
Effect of dilutive potential ordinary shares ('m)	**0.5**	–
Weighted average number of shares for purposes of diluted normalised earnings per share ('m)	**525.7**	447.8
Normalised earnings per share		
Basic (cents)	**66.7**	53.9
Diluted (cents)	**66.6**	53.9
11. Dividends		
Final dividend No 13 paid on 18 April 2016: 17.0 cents per share (2015: No 11: 15.0 cents per share)	**90.2**	63.2
Interim dividend No 14 paid on 12 September 2016: 13.5 cents per share (2015: No 12: 12.5 cents per share)	**73.6**	56.9
Dividend attributable to treasury shares	**(3.0)**	(3.0)
Dividends declared by subsidiaries to non-controlling interests	**3.9**	–
Total dividends	**164.7**	117.1
On 22 March 2017 the directors declared a dividend No 15 of 19.0 cents per share payable on 18 April 2017 to shareholders registered on the record date, being 13 April 2017.		
Analysis of dividends per share declared:		
Interim (cents)	**13.5**	12.5
Final (cents)	**19.0**	17.0
	32.5	29.5

	Cost					
	1 Jan 2016 R'm	Additions R'm	Acquisitions through business combinations R'm	Disposals R'm	Foreign currency effect R'm	**31 Dec 2016 R'm**
12. Property, plant and equipment						
Land and buildings	2 248.5	245.1	–	–	(5.3)	**2 488.3**
Computer equipment	194.1	53.9	1.5	(6.6)	–	**242.9**
Computer software	8.0	4.5	0.6	(0.9)	–	**12.2**
Furniture, fittings and equipment	200.3	29.5	2.2	(2.6)	(0.1)	**229.3**
Motor vehicles	36.8	9.2	–	(1.6)	–	**44.4**
Video equipment	4.1	0.6	–	(0.5)	–	**4.2**
Leasehold improvements	340.1	18.3	0.8	(5.7)	–	**353.5**
	3 031.9	361.1	5.1	(17.9)	(5.4)	**3 374.8**

	Accumulated depreciation and impairment					
	1 Jan 2016 R'm	Depreciation R'm	Acquisitions through business combinations R'm	Disposals R'm	Foreign currency effect R'm	**31 Dec 2016 R'm**
Land and buildings	97.2	17.2	–	–	(0.1)	**114.3**
Computer equipment	133.5	35.9	–	(6.1)	–	**163.3**
Computer software	5.2	1.7	–	(0.8)	–	**6.1**
Furniture, fittings and equipment	136.1	24.4	–	(2.4)	–	**158.1**
Motor vehicles	24.3	5.4	–	(1.6)	–	**28.1**
Video equipment	2.9	0.7	–	(0.5)	–	**3.1**
Leasehold improvements	94.1	21.9	–	(2.9)	–	**113.1**
	493.3	107.2	–	(14.3)	(0.1)	**586.1**

	Net book value	
	31 Dec 2016 R'm	31 Dec 2015 R'm
Land and buildings	**2 374.0**	2 151.3
Computer equipment	**79.6**	60.6
Computer software	**6.1**	2.8
Furniture, fittings and equipment	**71.2**	64.2
Motor vehicles	**16.3**	12.5
Video equipment	**1.1**	1.2
Leasehold improvements	**240.4**	246.0
	2 788.7	2 538.6

Included in land and buildings is an amount of R95.6 million (2015: R48.8 million) which relates to buildings that are still in progress.

Included in leasehold improvements is an amount of R3.7 million (2015: R5.6 million) which relates to improvements that are still in progress.

The amount of borrowing costs capitalised to current year additions amounted to R4.4 million (2015: R5.1 million) at a capitalisation rate of 8.9% (2015: 7.9%).

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for the year ended 31 December 2016 *(continued)*

12. Property, plant and equipment *(continued)*

The group valued its fixed property during 2016. The valuation was conducted by the Quadrant Property Group, a group of independent sworn valuators. Their valuation based on present land use amounted to R3 384.1 million, a premium of R1 010.1 million or 43% over book value of R2 374.0 million as at December 2016.

Valuations are done on a triennial basis with the next valuation due in 2019.

Land and buildings having a net book value of R1 239.1 million (2015: R1 120.1 million) have been plegded as security for the banking facilities (refer to note 25 and 26).

	Cost						
	1 Jan 2015 R'm	Additions R'm	Acquisitions through business combinations R'm	Disposals R'm	Foreign currency effect R'm	Reallocation R'm	31 Dec 2015 R'm
Land and buildings	1 259.4	314.5	670.0	(2.9)	10.1	(2.6)	2 248.5
Computer equipment	174.5	40.4	7.1	(27.9)	–	–	194.1
Computer software	9.8	1.8	0.1	(3.7)	–	–	8.0
Furniture, fittings and equipment	177.2	25.0	14.4	(16.5)	0.2	–	200.3
Motor vehicles	29.9	6.1	2.9	(2.1)	–	–	36.8
Video equipment	2.9	0.8	0.4	–	–	–	4.1
Leasehold improvements	252.5	9.7	97.0	(21.7)	–	2.6	340.1
	1 906.2	398.3	791.9	(74.8)	10.3	–	3 031.9

	Accumulated depreciation and impairment						
	1 Jan 2015 R'm	Depreciation R'm	Acquisitions through business combinations R'm	Disposals R'm	Foreign currency effect R'm	Reallocation R'm	31 Dec 2015 R'm
Land and buildings	79.0	13.4	–	(1.4)	0.2	6.0	97.2
Computer equipment	131.9	28.3	–	(26.7)	–	–	133.5
Computer software	7.7	1.3	–	(3.8)	–	–	5.2
Furniture, fittings and equipment	131.7	20.0	–	(15.6)	–	–	136.1
Motor vehicles	20.8	4.5	–	(1.0)	–	–	24.3
Video equipment	2.2	0.7	–	–	–	–	2.9
Leasehold improvements	93.9	23.0	–	(16.8)	–	(6.0)	94.1
	467.2	91.2	–	(65.3)	0.2	–	493.3

	Net book value	
	31 Dec 2015 R'm	31 Dec 2014 R'm
Land and buildings	2 151.3	1 180.4
Computer equipment	60.6	42.6
Computer software	2.8	2.1
Furniture, fittings and equipment	64.2	45.5
Motor vehicles	12.5	9.1
Video equipment	1.2	0.7
Leasehold improvements	246.0	158.6
	2 538.6	1 439.0

	Notes	Audited 2016 R'm	Audited 2015 R'm
13. Proprietary technology systems			
Cost			
Balance at beginning of the year		**89.6**	79.2
Additions		**0.7**	7.8
Acquisition through business combinations		**–**	2.6
Balance at end of the year		**90.3**	89.6
Accumulated amortisation			
Balance at beginning of the year		**34.8**	26.1
Amortisation expense	5	**10.2**	8.7
Balance at end of the year		**45.0**	34.8
Carrying amount			
At beginning of the year		**54.8**	53.1
At end of the year		**45.3**	54.8

The student academic management system forms the bulk of the amount above. Useful lives of between six and ten years are used in the calculation of amortisation on a straight-line basis.

	Notes	Audited 2016 R'm	Audited 2015 R'm
14. Goodwill			
Cost			
Balance at beginning of the year		**1 085.3**	103.8
Additional amounts recognised from business combinations occurring during the year	33	**87.3**	979.6
Acquisition price adjustment		**(2.3)**	–
Foreign currency effect		**(0.2)**	1.9
Balance at end of the year		**1 170.1**	1 085.3
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		**1 085.3**	103.8
At end of the year		**1 170.1**	1 085.3

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2016 *(continued)*

14. Goodwill *(continued)*

A terminal value is calculated based on conservative growth rates. Notwithstanding the conservative assumptions used in the assessments, no impairments are required. The key assumptions used are as follows:

2016 Cash-generating unit	**Goodwill R'm**	**Indefinite life intangible assets R'm**	**Period of projected cash flows Years**	**Terminal growth rate %**	**Discount rate %**
Schools	**974.9**	**96.0**	**5**	**0.0**	**12.23**
Tertiary	**161.4**	**–**	**5**	**0.0**	**12.23**
Resourcing	**33.8**	**–**	**5**	**0.0**	**12.23**
	1 170.1	**96.0**			

2015 Cash-generating unit	Goodwill R'm	Indefinite life intangible assets R'm	Period of projected cash flows Years	Terminal growth rate %	Discount rate %
Schools	975.9	96.0	5	0.0	11.80
Tertiary	74.1	–	5	0.0	11.80
Resourcing	35.3	–	5	0.0	11.80
	1 085.3	96.0			

Goodwill acquired is allocated to the group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination. The CGUs represent the lowest level within the group at which goodwill is monitored for internal management purposes and is aligned to the operating segments. These CGUs are used for the purpose of performing the goodwill impairment calculations.

The directors believe that any reasonable possible change in the key assumptions on which the recoverable amounts are based would not cause the aggregate carrying amount to exceed the aggregate recoverable amounts of the CGUs.

The directors were satisfied that there were no impairment adjustments required.

	Notes	Customer bases R'm	Brand values R'm	**Total audited R'm**
15. Intangible assets				
Cost				
Balance at 1 January 2015		45.6	20.1	**65.7**
Additions through business combinations		99.8	87.1	**186.9**
Foreign currency effect		0.4	0.6	**1.0**
Balance at 1 January 2016		145.8	107.8	**253.6**
Additions through business combinations	33	7.6	10.4	**18.0**
Foreign currency effect		0.5	(0.3)	**0.2**
At 31 December 2016		153.9	117.9	**271.8**
Accumulated amortisation and impairment				
Balance at 1 January 2015		34.8	5.6	**40.4**
Amortisation expense	5	8.5	1.2	**9.7**
Balance at 1 January 2016		43.3	6.8	**50.1**
Amortisation expense	5	13.0	2.1	**15.1**
At 31 December 2016		56.3	8.9	**65.2**
Carrying amount				
As at 31 December 2015		102.5	101.0	**203.5**
As at 31 December 2016		97.6	109.0	**206.6**

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

	Total useful life	**Remaining useful life**
Customer bases	2 to 15 years	1 to 13 years
Brand values	3 to 10 years, indefinite life	1 to 10 years, indefinite life

The brand value of various schools have a life span in excess of 20 years and therefore an indefinite period of amortisation was selected. The carrying amount of these assets is R96.0 million (2015: R96.0 million). Refer to note 14 for details of the assumptions applied in assessing the indefinite useful life intangible assets for impairment.

16. ADvTECH share incentive scheme

Certain employees and executive 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. Except for exceptional circumstances, if a participant leaves the employ of the group prior to exercising the options, the options lapse. Variations to the vesting periods are possible on issue with the written consent of the remuneration committee of the board and the trustees of the trust.

Date options granted	Expiry date year ending	Exercise price of outstanding options (cents)	Weighted average estimated contractual life (years)	Fair value at grant date (cents)
19 November 2015	31 Dec 2021	1 260	3.8	423
20 October 2016	31 Dec 2022	1 696	3.5	597

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2016 *(continued)*

Reconciliation of options	Number of share options 2016	Weighted average exercise price (cents) 2016	Number of share options 2015	Weighted average exercise price (cents) 2015
16. ADvTECH share incentive scheme *(continued)*				
Options outstanding on 1 January	**7 835 551**	**905**	10 675 002	679
Add – Options granted during the year	**2 399 800**	**1 696**	2 958 000	1 260
Less – Exercised	**(1 237 582)**	**650**	(3 310 117)	585
– Lapsed	**(683 000)**	**1 036**	(2 487 334)	783
Options outstanding at 31 December	**8 314 769**	**1 161**	7 835 551	905

As at 31 December 2016 there were 103 (2015: 83) participants (including executive directors) in the ADvTECH share incentive scheme.

	Number of shares		Loan receivable R'm	
Reconciliation of shares owned	**2016**	2015	**2016**	2015
Shares owned by the trust as at 1 January	**11 557 172**	14 867 289	**64.7**	83.3
Less – Options exercised during the year	**(1 237 582)**	(3 310 117)	**(6.9)**	(18.6)
Shares owned by the trust at 31 December	**10 319 590**	11 557 172	**57.8**	64.7

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

The loan receivable from the trust is unsecured, interest free and has no fixed terms of repayment.

The loan is eliminated on a group basis but is reflected in the company annual financial statements.

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

	2016	2015
Weighted average exercise price (cents)	**1 696**	1 260
Expected volatility	**23%**	24%
Expected life	**5.8 years**	5.9 years
Risk free rate	**9%**	8%
Expected dividend yield	**2%**	2%

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.

The broad-based scheme allocated shares to all employees based on a predefined period of employment. This scheme ran for a period of five years commencing September 2007. All shares issued per the broad-based scheme have fully vested but the company still holds 483 300 (2015: 515 150) shares on behalf of the employees.

The group recognised total expenses of R5.8 million (2015: R3.8 million) related to share-based payment transactions during the year.

	Audited 2016 R'm	Audited 2015 R'm
17. Deferred taxation (liabilities)/assets		
Opening deferred taxation (liabilities)/assets	**(98.0)**	12.8
	7.1	3.7
Current year temporary differences	**6.7**	3.0
Foreign currency effect – opening balance	**0.3**	–
Foreign currency effect	**–**	0.5
Movement in deferred taxation assets relating to taxation losses	**0.1**	0.2
Foreign currency effect	**(0.6)**	–
Business combinations	**(3.4)**	(117.7)
Prior year over provision	**0.8**	3.2
Balance at end of the year	**(94.1)**	(98.0)
The balance comprises:		
Deferred and prepaid expenditure	**(1.4)**	(1.5)
Allowance for future expenditure (S24C)	**(51.4)**	(50.3)
Fees received in advance	**72.5**	64.8
Commercial building allowance	**(36.1)**	(27.3)
Allowance for doubtful debts	**27.6**	23.7
Leave pay accrual	**4.6**	3.9
Property, plant and equipment allowances	**(21.2)**	(21.4)
Estimated taxation losses carried forward	**1.5**	0.6
Lease smoothing	**8.1**	8.0
Bonus provision	**11.2**	9.4
Intangible assets	**(55.1)**	(54.0)
Revaluation of land and buildings	**(54.4)**	(53.9)
	(94.1)	(98.0)
Deferred taxation accounted for in the statement of profit or loss:		
Deferred and prepaid expenditure	**0.1**	(1.0)
Allowance for future expenditure (S24C)	**(1.1)**	(13.8)
Fees received in advance	**7.9**	17.2
Commercial building allowance	**(8.8)**	(10.9)
Allowance for doubtful debts	**2.1**	6.3
Leave pay accrual	**0.7**	0.5
Property, plant and equipment allowances	**0.4**	5.7
Movement in taxation losses	**0.1**	(1.6)
Lease smoothing	**0.1**	(2.2)
Bonus provision	**1.6**	3.5
Intangible assets	**4.1**	–
Revaluation of land and buildings	**(0.1)**	–
	7.1	3.7
18. Investment		
Available-for-sale investment		
Shares	**12.0**	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 the supply 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.

The group has an option to acquire the balance of the shares in Star Schools (Pty) Ltd after 31 December 2017 at a price to be determined at the time in accordance with the agreement, based on the average annual profit after taxation for the preceeding 24 months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2016 *(continued)*

	Audited 2016 R'm	Audited 2015 R'm
19. Inventories		
Books	**4.4**	2.1
Other	**2.3**	1.7
	6.7	3.8
20. Trade and other receivables		
Amounts receivable for tuition fees	**300.1**	218.0
Amounts receivable for placement fees	**15.5**	28.5
Amounts receivable from the sale of goods and services	**1.1**	1.7
Trade receivables	**316.7**	248.2
Allowance for doubtful debts	**(135.6)**	(113.1)
	181.1	135.1
Other receivables	**54.5**	57.9
	235.6	193.0
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	**20.2**	20.2
60 days	**22.3**	21.2
90 days	**15.8**	14.1
120+ days	**65.4**	47.2
Total	**123.7**	102.7
Movement in the allowance for doubtful debts		
Balance at beginning of the year	**113.1**	83.1
Business combinations	**9.0**	1.9
Impairment losses recognised on receivables	**34.4**	55.8
Impairment losses reversed	**(20.9)**	(27.7)
Balance at end of the year	**135.6**	113.1
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	**3.0**	0.7
60 days	**1.7**	0.9
90 days	**3.3**	1.5
120+ days	**127.1**	110.0
Total	**135.6**	113.1

	Audited 2016 R'm	Audited 2015 R'm
21. Cash and cash equivalents		
Bank balances	**127.8**	175.8
Bank overdraft	**(24.2)**	–
Cash	**0.4**	0.4
	104.0	176.2

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

The carrying amounts of the group's bank balances are denominated in the local currencies of the underlying operations.

Nature of monetary item	Foreign currency	Foreign currency 2016 'm	Foreign currency 2015 'm	Rand equivalent 2016 R'm	Rand equivalent 2015 R'm
22. Foreign currency exposure					
Trade credit	US Dollar	**0.04**	0.3	**0.6**	4.8
Current loan account	Botswana Pula	**–**	0.6	**–**	0.7

23. Stated capital

Authorised

1 000 000 000 shares of no par value (2015: 1 000 000 000 shares)

	Number of shares 2016 'm	Stated capital 2016 R'm	Number of shares 2015 'm	Stated capital 2015 R'm
Issued				
Balance at 1 January	**530.8**	**1 292.7**	–	–
Transfer from share capital and share premium	**–**	**–**	421.3	121.5
Shares issued (2015: Shares issued for business combinations)	**13.6**	**190.7**	33.9	336.4
Rights issue	**–**	**–**	75.6	850.0
Share issue costs		**(1.5)**		(15.2)
Balance at 31 December	**544.4**	**1 481.9**	530.8	1 292.7

The unissued shares are under the control of the directors subject to the provisions of the Companies Act, the requirements of the JSE Limited and in certain circumstances shareholders approval.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2016 *(continued)*

	Number of shares 2016 'm	**Share capital 2016 R'm**	Number of shares 2015 'm	Share capital 2015 R'm
24. Share capital and share premium				
24.1 Share capital				
Issued				
Balance at 1 January	**–**	**–**	421.3	4.2
Transfer to stated capital	**–**	**–**	(421.3)	(4.2)
Balance at 31 December	**–**	**–**	–	–

	Audited 2016 R'm	Audited 2015 R'm
24.2 Share premium		
Balance at 1 January	**–**	117.3
Transfer to stated capital	**–**	(117.3)
Balance at 31 December	**–**	–
25. Long-term bank loans		
Secured term loan	**750.0**	750.0
Mortgage loan	**23.4**	46.5
Fixed-term loan	**15.7**	21.4
	789.1	817.9
Disclosed as:		
Current liabilities	**31.1**	16.8
Non-current liabilities	**758.0**	801.1
	789.1	817.9

The directors consider that the carrying amount of long-term bank loans approximates their fair value.

Secured term loan

This is a five year facility amounting to R750.0 million which came into effect on 15 December 2015 and attracts interest at JIBAR + 2.00%.

These facilities are secured by mortgage bonds over properties having a net book value of R1 205.3 million (2015: R1 085.7 million). Refer to note 12.

Mortgage loan

This is a 10 year facility which came into effect on 31 October 2012, repayable in monthly instalments, that bears interest at 8.50% per annum, secured by a mortgage on freehold land and buildings with a net book value of R33.8 million (2015: R34.4 million). Refer to note 12.

Fixed-term loan

The loan is from FirstRand Bank for a period of 5 years which came into effect on 7 March 2014 and is secured by signed surety from Maragon Private Schools Ruimsig (Pty) Ltd and Maravest (Pty) Ltd for a value of R27.0 million and it bears interest at prime plus 1%.

Refer to note 32 for details on securities on the secured term loan.

	Audited 2016 R'm	Audited 2015 R'm
26. Short-term bank loan		
Revolving credit facility	**425.0**	515.2

This facility is secured by mortgage bonds over properties having a net book value of R1 205.3 million (2015: R1 085.7 million). Refer to note 12 and 25.

The directors consider that the carrying amount of short-term bank loan approximates its fair value.

Revolving credit facility
This represents a R750 million revolving credit facility that is available to the group for a five year period commencing on 15 December 2015.

The facility utilised bears interest at the following rates:

- total net borrowings to EBITDA ratio less than 1.50: JIBAR + 1.75%
- total net borrowings to EBITDA ratio less than 2.50 and greater than or equal to 1.50: JIBAR + 2.00%
- total net borrowings to EBITDA ratio greater than or equal to 2.50: JIBAR + 2.25%

The group has the option to make draw-downs for periods of one, three and six months and can elect to roll these for further periods.

Refer to note 32 for details on securities.

	Audited 2016 R'm	Audited 2015 R'm
27. Trade and other payables		
Trade payables and accruals	**321.7**	302.6
Leave pay accrual	**16.4**	13.9
Vendor claims	**–**	11.0
	338.1	327.5

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2016 *(continued)*

	Audited 2016 R'm	Audited 2015 R'm
28. Commitments		
28.1 Capital commitments		
Capital expenditure approved by the directors:		
Contracted but not provided for	**144.3**	256.4
Not contracted	**1 111.0**	1 310.3
	1 255.3	1 566.7
Capital commitments will be financed through existing facilities and working capital.		
Anticipated timing of spend:		
0 – 2 years	**555.9**	598.9
3 – 5 years	**202.2**	419.2
more than 5 years	**497.2**	548.6
	1 255.3	1 566.7
28.2 Operating lease commitments in cash		
Commitments under non-cancellable operating leases are as follows:		
Premises:		
Due within one year	**85.6**	86.7
Due within two to five years	**200.9**	202.2
Due thereafter	**56.9**	87.5
	343.4	376.4
Equipment:		
Due within one year	**5.6**	2.6
Due within two to five years	**6.7**	4.9
	12.3	7.5
	355.7	383.9
The operating leases relate to premises and equipment with various lease terms.		

29. 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.

The disclosed fair values of the financial assets and financial liabilities are at level three of the fair value hierarchy and have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of the counter parties.

Capital risk management

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

The capital structure of the group consists of bank and cash equivalents, equity, comprising stated capital, reserves and retained earnings, secured term loan and short-term bank loan.

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, secured term loan and revolving credit facilities available at 31 December 2016 amounted to R1 761.4 million (2015: R1 683.6 million) of which R1 214.1 million (2015: 1 333.1 million) has been utilised at year-end.

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 R316.7 million (2015: R248.2 million) and bank and cash balances of R128.2 million (2015: R176.2 million).

Interest risk

The group is exposed to interest risk on the banking facilities and bank balances as these attract interest at floating interest rates.

The group analyses its interest rate exposure and calculates the impact on profit or loss of a interest rate shift. Should it be appropriate swaps or other hedging instruments will be considered.

If interest rates varied by 1% higher or lower and all other variables were held constant the group's profit before taxation would have increased or decreased by R9.8 million (2015: R14.7 million).

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 CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2016 *(continued)*

	Notes	Audited 2016 R'm	Audited 2015 R'm
30. Notes to the statement of cash flows			
30.1 Cash generated from operations			
Profit before taxation		**526.4**	328.6
Adjust for non-cash IFRS and other adjustments (before taxation)		**6.8**	(7.0)
		533.2	321.6
Adjust:		**215.7**	234.2
Depreciation and amortisation	5	**132.5**	109.6
Net finance costs paid	6	**81.7**	119.7
Loss on sale of property, plant and equipment	5	**1.5**	4.9
		748.9	555.8
30.2 Movement in working capital			
Increase in inventories		**(1.6)**	(2.5)
(Increase)/decrease in trade and other receivables and prepayments		**(10.5)**	15.4
Decrease in trade and other payables and provisions		**(29.9)**	(11.6)
Increase in fees received in advance and deposits		**1.6**	0.4
(Increase)/decrease in working capital		**(40.4)**	1.7
30.3 Taxation paid			
Balance at beginning of the year		**(11.7)**	(0.1)
Business combinations		**(2.6)**	–
Current charge		**(154.4)**	(109.4)
Taxation on equity item		**–**	(0.5)
Foreign taxation credits		**0.4**	–
Balance at end of the year		**8.3**	11.7
Cash amount paid		**(160.0)**	(98.3)
30.4 Capital distributions paid			
Balance at beginning of the year		**(0.8)**	(0.8)
Balance at end of the year		**0.8**	0.8
Cash amount paid		**–**	–
30.5 Dividends paid			
Balance at beginning of the year		**(0.8)**	(0.6)
Declared during the year	11	**(164.7)**	(117.1)
Balance at end of the year		**1.0**	0.8
Cash amount paid		**(164.5)**	(116.9)
30.6 Additions to property, plant and equipment to maintain operations			
Land and buildings		**(29.6)**	(15.7)
Computer equipment		**(46.6)**	(35.6)
Computer software		**(4.5)**	(0.5)
Furniture, fittings and equipment		**(21.7)**	(16.7)
Motor vehicles		**(6.7)**	(5.4)
Video equipment		**(0.6)**	(0.8)
Leasehold improvements		**(6.4)**	(3.3)
		(116.1)	(78.0)

	Audited 2016 R'm	Audited 2015 R'm
30. Notes to the statement of cash flows *(continued)*		
30.7 Additions to property, plant and equipment to expand operations		
Land and buildings	**(215.5)**	(298.8)
Computer equipment	**(7.3)**	(4.8)
Computer software	**–**	(1.3)
Furniture, fittings and equipment	**(7.8)**	(8.3)
Motor vehicles	**(2.5)**	(0.7)
Leasehold improvements	**(11.9)**	(6.4)
	(245.0)	(320.3)
30.8 Business combinations cash flows		
Additions to property, plant and equipment	**(5.1)**	(791.9)
Additions to proprietary technology systems	**–**	(2.6)
Additions to other non-current assets	**(3.6)**	(3.8)
Additions to current assets	**(67.2)**	(86.5)
Additions to non-current liabilities	**5.1**	548.3
Additions to current liabilities	**64.7**	175.7
Additions to goodwill	**(87.3)**	(979.6)
Additions to intangible assets	**(18.0)**	(186.9)
Additions to non-controlling interests	**12.9**	10.3
Cash and cash equivalents acquired	**17.1**	41.9
Shares issued in settlement of acquisition considerations	**–**	336.4
	(81.4)	(938.7)

31. 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 and prescribed officers

Details regarding directors' and prescribed officers' emoluments, interest and share options are disclosed in the directors' report on pages 63 to 65.

32. Securities on secured term loan and short-term bank loan

In terms of the group's banking arrangement, ADvTECH Limited, ADvTECH Resource Holdings (Pty) Ltd, ADvTECH Resourcing (Pty) Ltd, The Independent Institute of Education (Pty) Ltd, Innospan Investments (Pty) Ltd and Nanospan Investments (Pty) Ltd have issued to its bankers unlimited cross guarantees including cessions of loan accounts on behalf of each other's overdraft, secured term loan and revolving credit facilities. These facilities are also secured by mortgage bonds over properties having a net book value of R1 205.3 million (2015: R1 085.7 million).

As at 31 December 2016 the total amount utilised amounted to R1 175.0 million (2015: R1 265.2 million) as per notes 25 and 26.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2016 *(continued)*

	Audited 2016 R'm
33. Business combinations*	
33.1 Capsicum Culinary Studio	
A 100% interest in Capsicum Culinary Studio (Pty) Ltd was acquired on 1 July 2016 for a consideration of R57.8 million.	
Non-current assets acquired	
Intangible assets	**9.7**
Goodwill	**59.3**
Property, plant and equipment	**2.8**
Other non-current assets	**3.6**
Current assets acquired	
Current assets	**27.1**
Cash and cash equivalents	**14.9**
Non-current liabilities acquired	
Non-current liabilities	**(2.7)**
Current liabilities acquired	
Current liabilities	**(56.9)**
	57.8

Revenue of R34.2 million and profit after taxation of R5.7 million has been included in the consolidated statement of profit or loss.

Revenue of R67.5 million and profit after taxation of R12.6 million would have been included in the consolidated statement of profit or loss had the acquisition been done at the beginning of the annual reporting period.

This acquisition was made as an addition to our tertiary division and provides expansion opportunities.

The accounting for this business combination is still within the measurement period.

	Audited 2016 R'm
33.2 The Oxbridge group	
A 51% interest in the Oxbridge group was acquired on 1 July 2016 for a consideration of R40.7 million.	
Non-current assets acquired	
Intangible assets	**8.3**
Goodwill	**28.0**
Property, plant and equipment	**2.3**
Current assets acquired	
Current assets	**23.0**
Cash and cash equivalents	**2.2**
Non-current liabilities acquired	
Non-current liabilities	**(2.4)**
Current liabilities acquired	
Current liabilities	**(7.8)**
Non controlling interest	**(12.9)**
	40.7

33. Business combinations* *(continued)*

33.2 The Oxbridge group *(continued)*

Revenue of R46.1 million and profit after taxation of R5.0 million has been included in the consolidated statement of profit or loss.

Revenue of R96.3 million and profit after taxation of R10.3 million would have been included in the consolidated statement of profit or loss had the acquisition been done at the beginning of the annual reporting period.

This acquisition was made as an addition to our tertiary division and provides expansion opportunities.

The accounting for this business combination is still within the measurement period.

The non-controlling interest has been valued at its proportionate share of net asset value.

* *The consideration paid for the business combinations effectively included amounts which has been recognised as goodwill in relation to the benefit of expected synergies and expansion opportunities.*

	Notes	Audited 2016 R'm
Total business combinations		
Total intangible assets	15	**18.0**
Total goodwill	14	**87.3**
Total property, plant and equipment	12,13,30.8	**5.1**
Total other non-current assets		**3.6**
Total current assets		**50.1**
Total cash and cash equivalents		**17.1**
Total non-current liabilities		**(5.1)**
Total current liabilities		**(64.7)**
Total non-controlling interest		**(12.9)**
Total consideration paid		**98.5**

34. Going concern

The annual financial statements of the group and company 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.

35. Subsequent events

Details regarding acquisitions that concluded subsequent to year-end are disclosed in the directors' report on page 66.

The directors are not aware of any further matter or circumstance between the date of the statement of financial position and the date of these financial statements that materially affects the results of the group and company for the year ended 31 December 2016 or the financial position at that date.

36. Contingent liability

In terms of the sale of business agreement entered into between ADvTECH Limited and previous owners of Maramedia (Pty) Ltd, the purchase consideration was to be determined based on the earnings for the year ending 31 December 2015.

The parties are currently in dispute as to whether this consideration is due. The statutory financial statements of Maramedia (Pty) Ltd for the 31 December 2015 financial year end indicates that the earnings target was not achieved. The seller has disputed this position and the matter has been referred to arbitration.

The maximum consideration as per the contract is 2.2 million ADvTECH Limited shares.

COMPANY STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2016

	Notes	**Audited 2016 R'm**	Audited 2015 R'm
Dividends received from subsidiaries		**150.0**	120.0
Staff costs	1	**(4.1)**	(4.0)
Other operating income		**3.7**	5.1
Operating profit before interest	1	**149.6**	121.1
Finance costs paid	2	**–**	(0.6)
Profit before taxation		**149.6**	120.5
Taxation	3	**–**	(1.9)
Total comprehensive income for the year		**149.6**	118.6

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2016

	Notes	Share capital R'm	Share premium R'm	Stated capital R'm	Share option reserve R'm	Retained earnings R'm	Total equity R'm
Balance at 1 January 2015		4.2	117.3	–	(8.1)	78.8	192.2
Total comprehensive income for the year						118.6	118.6
Dividends declared to shareholders*						(117.1)	(117.1)
Conversion of par value shares to no par value shares	9.1, 9.2	(4.2)	(117.3)	121.5			–
Shares issued for business combinations	8			336.4			336.4
Shares issued in terms of rights issue	8			850.0			850.0
Share issue costs	8			(15.2)			(15.2)
Share options exercised					0.9		0.9
Balance at 31 December 2015		**–**	**–**	**1 292.7**	**(7.2)**	**80.3**	**1 365.8**
Total comprehensive income for the year						149.6	149.6
Dividends declared to shareholders*						(160.8)	(160.8)
Shares issued	8			190.7			190.7
Share issue costs	8			(1.5)			(1.5)
Share options exercised					1.1		1.1
Balance at 31 December 2016		**–**	**–**	**1 481.9**	**(6.1)**	**69.1**	**1 544.9**

* *Refer to note 11 of the consolidated annual financial statements.*

COMPANY STATEMENT OF FINANCIAL POSITION

as at 31 December 2016

	Notes	Audited 2016 R'm	Audited 2015 R'm
ASSETS			
Non-current assets			
Property, plant and equipment	4	**–**	0.1
Investments in subsidiaries at cost	5	**658.4**	658.4
Loan to Share Incentive Trust*		**57.8**	64.7
Deferred taxation assets	6	**–**	–
		716.2	723.2
Current assets			
Loans to subsidiaries	5	**829.5**	648.0
Trade and other receivables	7	**5.3**	13.3
Prepayments		**0.1**	0.1
		834.9	661.4
Total assets		**1 551.1**	1 384.6
EQUITY AND LIABILITIES			
Capital and reserves			
Stated capital	8	**1 481.9**	1 292.7
Share option reserve		**(6.1)**	(7.2)
Retained earnings		**69.1**	80.3
Total equity		**1 544.9**	1 365.8
Current liabilities			
Trade and other payables	10	**4.4**	15.1
Taxation		**–**	2.1
Shareholders for capital distribution		**0.8**	0.8
Shareholders for dividend		**1.0**	0.8
		6.2	18.8
Total equity and liabilities		**1 551.1**	1 384.6

* *Refer to note 16 of the consolidated annual financial statements.*

COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 December 2016

	Notes	**Audited 2016 R'm**	Audited 2015 R'm
Cash flows from operating activities			
Cash (utilised in)/generated from operations	13.1	**(0.4)**	1.1
Movement in working capital	13.2	**(2.7)**	2.8
Cash (utilised in)/generated by operating activities		**(3.1)**	3.9
Finance costs paid	2	**–**	(0.6)
Taxation paid	13.3	**(2.1)**	–
Dividends paid	13.5	**(160.6)**	(116.9)
Net cash outflow from operating activities		**(165.8)**	(113.6)
Cash flows from investing activities			
Business combinations cash flows		**–**	(191.0)
Effects of share options exercised on the share option reserve		**1.1**	0.9
Movement in the loan to the Share Incentive Trust		**6.9**	18.6
Net cash inflow/(outflow) from investing activities		**8.0**	(171.5)
Cash flows from financing activities			
Shares issued		**189.2**	–
Rights issue		**–**	835.4
Increase in net loans from subsidiaries		**(31.4)**	(550.3)
Net cash inflow from financing activities		**157.8**	285.1
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 2016

	Note	Audited 2016 R'm	Audited 2015 R'm
1. Operating profit before interest			
Operating profit before interest is stated after taking the following into account:			
Auditors' remuneration		**1.0**	1.0
– Current year audit fee		**0.8**	0.6
– Prior year under provision		**0.2**	0.2
– Other services		**–**	0.2
Directors' emoluments – for services as directors		**3.5**	3.4
Staff costs		**0.6**	0.6
Total staff costs		**4.1**	4.0
2. Finance costs paid			
Finance costs			
Revolving credit facility fees		**–**	(0.6)
3. Taxation			
3.1 Taxation expense comprises			
Current taxation – current year		**–**	1.6
Deferred taxation – current year	6	**–**	0.3
Total taxation expense		**–**	1.9
3.2 Reconciliation of taxation			
Profit before taxation		**149.6**	120.5
Taxation at 28%		**41.9**	33.7
Permanent differences		**(41.9)**	(31.8)
Disallowable expenditure		**0.1**	1.8
Non-taxable income (dividends received)		**(42.0)**	(33.6)
Taxation expense recognised in profit		**–**	1.9

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 31 December 2016 *(continued)*

	Cost			
	1 Jan 2016 R'm	Additions R'm	Disposals R'm	**31 Dec 2016 R'm**
4. Property, plant and equipment				
Computer equipment	0.1	–	–	**0.1**
	0.1	–	–	**0.1**

	Accumulated depreciation			
	1 Jan 2016 R'm	Depreciation R'm	Disposals R'm	**31 Dec 2016 R'm**
Computer equipment	–	0.1	–	**0.1**
	–	0.1	–	**0.1**

	Net book value	
	31 Dec 2016 R'm	31 Dec 2015 R'm
Computer equipment*	**–**	0.1
	–	0.1

	Cost			
	1 Jan 2015 R'm	Additions R'm	Disposals R'm	31 Dec 2015 R'm
Computer equipment	0.1	–	–	0.1
	0.1	–	–	0.1

	Accumulated depreciation			
	1 Jan 2015 R'm	Depreciation R'm	Disposals R'm	31 Dec 2015 R'm
Computer equipment*	–	–	–	–
	–	–	–	–

	Net book value	
	31 Dec 2015 R'm	31 Dec 2014 R'm
Computer equipment	0.1	0.1
	0.1	0.1

* *Nil due to rounding*

	Issued share capital		Proportion held directly or indirectly		Interest of holding company				
					Shares		Loans receivable/ (payable)		
	31 Dec 2016 R	31 Dec 2015 R	**31 Dec 2016 %**	31 Dec 2015 %	**31 Dec 2016 R'm**	31 Dec 2015 R'm	**31 Dec 2016 R'm**	31 Dec 2015 R'm	Princi-pal activity
5. Investments in and loans to and from subsidiaries									
Direct:									
The Independent Institute of Education (Pty) Ltd	**2**	2	**100**	100	**101.2**	101.2	**723.0**	541.5	1
Maravest (Pty) Ltd	**1 000**	1 000	**100**	100	**497.4**	497.4	**27.0**	27.0	2
Nascifon (Pty) Ltd	**100**	100	**100**	100	**–**	–	**–**	–	2
Maramedia (Pty) Ltd	**100**	100	**100**	100	**–**	–	**–**	–	1
ADvTECH Resource Holdings (Pty) Ltd	**3 150 023**	3 150 023	**100**	100	**59.8**	59.8	**70.0**	70.0	2
Indirect:									
ADvTECH Resourcing (Pty) Ltd	**10**	10	**100**	100			**9.5**	9.5	3
ADvTECH Training (Pty) Ltd	**2**	2	**100**	100					4
Africa HR Solutions Ltd (a)	**100**	100	**51**	51					3
Bryan Hattingh Independent Services (Pty) Ltd	**1**	1	**100**	100					4
Business Learning Systems (Pty) Ltd	**1 000**	1 000	**100**	100					4
CA Financial Appointments (Pty) Ltd	**1 000**	1 000	**51**	51					3
CA Global Finance (Pty) Ltd	**1 000**	1 000	**52**	52					3
CA Global Headhunters (Pty) Ltd	**120**	120	**52**	52					3
CA Mining (Pty) Ltd	**100**	100	**52**	52					3
CA Oil and Gas (Pty) Ltd	**120**	120	**52**	52					3
Capsicum Culinary Studio (Pty) Ltd	**1 000**	–	**100**	–					1
Charterhouse Private Schools (Pty) Ltd	**100**	100	**100**	100					1
Elezean Institute (Pty) Ltd	**100**	100	**50**	50					4
Future Indefinite Investments 82 (Pty) Ltd	**100**	100	**100**	100					2
Innospan Investments (Pty) Ltd	**1 000**	1 000	**100**	100					1
Kapele Appointments (Pty) Ltd	**100**	100	**70**	70					3
Knyber (Botswana) (Pty) Ltd (b)	**306 000**	306 000	**100**	100					1
Maragon Private Schools Avianto (Pty) Ltd	**100**	100	**100**	100					1
Maragon Private Schools Gold (Pty) Ltd	**100**	100	**100**	100					4
Maragon Private Schools Platinum (Pty) Ltd	**100**	100	**100**	100					4
Maragon Private Schools Ruimsig (Pty) Ltd	**100**	100	**100**	100					1
Maragon Private Schools Titanium (Pty) Ltd	**100**	100	**100**	100					4
Maragon Private Schools Tshwane (Pty) Ltd	**120**	120	**100**	100					1
Nanospan Investments (Pty) Ltd	**1 000**	1 000	**100**	100					2
Oxbridge Academy (Pty) Ltd	**100**	–	**51**	–					1
Oxbridge Corporate (Pty) Ltd	**100**	–	**31**	–					4
Oxbridge Corporate ETD (Pty) Ltd	**10 000**	–	**51**	–					4
Oxbridge Training Institute (Pty) Ltd	**100**	–	**26**	–					1
Resen Holdings (Pty) Ltd (b)	**89 873 101**	89 873 101	**100**	100					2
Resource Development International (Pty) Ltd	**200**	200	**100**	100					4
Shetland Investments (Pty) Ltd	**100**	100	**100**	100					2
Strategic Connection (Pty) Ltd	**100**	100	**100**	100					4
The Design School Southern Africa (Pty) Ltd	**1**	1	**100**	100					4
VirtuallyHR (Pty) Ltd	**120**	120	**51**	51					3
					658.4	658.4	**829.5**	648.0	

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 R372.4 million (2015: R224.9 million). All companies are incorporated in the Republic of South Africa except as indicated (a) Mauritius (b) Botswana.

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.

The directors consider that the carrying amount of the loans receivable/payable approximates their fair value.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 31 December 2016 *(continued)*

	Audited 2016 R'm	Audited 2015 R'm
6. Deferred taxation assets		
Opening deferred taxation assets	**–**	0.3
Movement in deferred taxation assets relating to taxation losses	**–**	(0.3)
Balance at end of the year	**–**	–
The balance comprises:		
Estimated taxation losses carried forward	**–**	–
	–	–
Deferred taxation accounted for in the statement of comprehensive income:		
Movement in taxation losses	**–**	(0.3)
	–	(0.3)
7. Trade and other receivables		
Other receivables	**5.3**	13.3

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.

8. Stated capital

Authorised

1 000 000 000 shares of no par value (2015: 1 000 000 000 shares)

	Number of shares 2016 'm	Stated capital 2016 R'm	Number of shares 2015 'm	Stated capital 2015 R'm
Issued				
Balance at 1 January	**530.8**	**1 292.7**	–	–
Transfer from share capital and share premium	**–**	**–**	421.3	121.5
Shares issued (2015: Shares issued for business combinations)	**13.6**	**190.7**	33.9	336.4
Rights issue	**–**	**–**	75.6	850.0
Share issue costs		**(1.5)**		(15.2)
Balance at 31 December	**544.4**	**1 481.9**	530.8	1 292.7

The unissued shares are under the control of the directors subject to the provisions of the Companies Act and the requirements of the JSE Limited and in certain circumstances shareholders approval.

	Number of shares 2016 'm	Share capital 2016 R'm	Number of shares 2015 'm	Share capital 2015 R'm
9. Share capital and share premium				
9.1 Share capital				
Issued				
Balance at 1 January	**–**	**–**	421.3	4.2
Transfer to stated capital	**–**	**–**	(421.3)	(4.2)
Balance at 31 December	**–**	**–**	–	–

	Audited 2016 R'm	Audited 2015 R'm
9.2 Share premium		
Balance at 1 January	**–**	117.3
Transfer to stated capital	**–**	(117.3)
Balance at 31 December	**–**	–
10. Trade and other payables		
Trade payables and accruals	**4.4**	15.1

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.

11. 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 stated capital, reserves and retained earnings.

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

12. Contingent liabilities

In terms of the group's banking arrangement, 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, Innospan Investments (Pty) Ltd and Nanospan Investments (Pty) Ltd for overdraft, secured term loan and revolving credit facilities, which at 31 December 2016 were utilised and amounted to R1 175.0 million (2015: R1 265.2 million). (See note 25, 26 and 32 of the consolidated financial statements).

Refer to note 36 of the consolidated financial statements in respect of an additional contingent liability.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 31 December 2016 *(continued)*

	Notes	**Audited 2016 R'm**	Audited 2015 R'm
13. Notes to the statement of cash flows			
13.1 Cash (utilised in)/generated from operations			
Profit before taxation		**149.6**	120.5
Adjust for dividends received		**(150.0)**	(120.0)
		(0.4)	0.5
Finance costs paid	2	**–**	0.6
		(0.4)	1.1
13.2 Movement in working capital			
Decrease/(increase) in trade and other receivables and prepayments		**8.0**	(8.8)
(Decrease)/increase in trade and other payables		**(10.7)**	11.6
(Increase)/decrease in working capital		**(2.7)**	2.8
13.3 Taxation paid			
Balance at beginning of the year		**(2.1)**	–
Current charge	3	**–**	(1.6)
Taxation on equity item		**–**	(0.5)
Balance at end of the year		**–**	2.1
Cash amount paid		**(2.1)**	–
13.4 Capital distributions paid			
Balance at beginning of the year		**(0.8)**	(0.8)
Balance at end of the year		**0.8**	0.8
Cash amount paid		**–**	–
13.5 Dividends paid			
Balance at beginning of the year		**(0.8)**	(0.6)
Declared during the year		**(160.8)**	(117.1)
Balance at end of the year		**1.0**	0.8
Cash amount paid		**(160.6)**	(116.9)

14. 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 R6.3 million (2015: R12.0 million) and R1.6 million (2015: R3.0 million) respectively were charged and paid, being an appropriate allocation of costs incurred by the relevant administrative departments.

Refer to directors' report for directors' remuneration on page ••.

SHAREHOLDERS' ANALYSIS

at 31 December 2016

Range of shareholding	Number of shareholders	% of shareholders	Number of shares	% of total shares
1 to 10 000	8 929	85.0%	15 982 382	2.9%
10 001 to 100 000	1 180	11.2%	35 076 662	6.5%
100 001 to 1 000 000	313	3.0%	106 144 391	19.5%
more than 1 000 000	87	0.8%	387 165 095	71.1%
	10 509	**100.0%**	**544 368 530**	**100.0%**

To the best knowledge of the directors and after reasonable enquiry, as at 31 December 2016, the spread of shareholders was as follows:

Shareholder spread

ADvTECH Share Incentive Scheme	1	0.0%	10 319 590	1.9%
Directors (including prescribed officers and subsidiary directors)	10	0.1%	14 265 961	2.6%
Non-public shareholding	11	0.1%	24 585 551	4.5%
Public shareholding	10 498	99.9%	519 782 979	95.5%
Total of all shareholders	**10 509**	**100.0%**	**544 368 530**	**100.0%**

Major shareholders

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

	Shares held	
	Number	%
Coronation Fund Managers	45 738 200	8.4%
CitiGroup (Custodian)	44 142 865	8.1%
Old Mutual group	43 873 632	8.1%
Government Employees Pension Fund	40 158 435	7.4%

Share information

	2016	2015	2014	2013	2012
Closing price at period end (cents)	**1 717**	1 456	870	657	620
JSE market price high (cents)	**1 810**	1 482	966	725	703
JSE market price low (cents)	**1 292**	845	658	600	561
Total number of transactions on JSE	**82 893**	39 007	19 877	12 610	8 402
Total number of shares traded	**252 534 798**	171 532 921	86 044 866	119 944 745	89 283 288
Total value of shares traded (R)	**3 796 373 545**	1 966 962 284	694 794 222	789 563 625	527 358 137
Average price per share (cents)	**1 525**	1 115	807	659	602
Shares in issue	**544 368 530**	530 759 317	421 282 422	421 282 422	421 282 422
Percentage volume traded to shares in issue	**46%**	32%	20%	28%	21%
PE ratio	**24.2**	29.0	21.1	17.1	18.0

SHAREHOLDERS' DIARY

	2017
Dividend	
Announcement of annual results for 2016 and dividend declaration date	Wednesday, 22 March
Last day to trade in order to participate in the dividend	Monday, 10 April
Trading commences ex-dividend	Tuesday, 11 April
Record date	Thursday, 13 April
Share certificates may not be dematerialised and rematerialised between	Tuesday, 11 April and Thursday, 13 April, both days inclusive
Dividend payment date	Tuesday, 18 April
Annual general meeting (AGM)	
Record date to receive notices	Thursday, 13 April
Last date to trade to be eligible to participate and vote at the AGM	Tuesday, 9 May
Record date to be recorded as shareholder	Friday, 12 May
Proxy forms to be received by 10:00	Tuesday, 16 May
AGM to be held at 10:00	Thursday, 18 May
Results of AGM published on SENS	Thursday, 18 May
Interim results	
Interim results for the six months ended 30 June 2017	Monday, 21 August

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