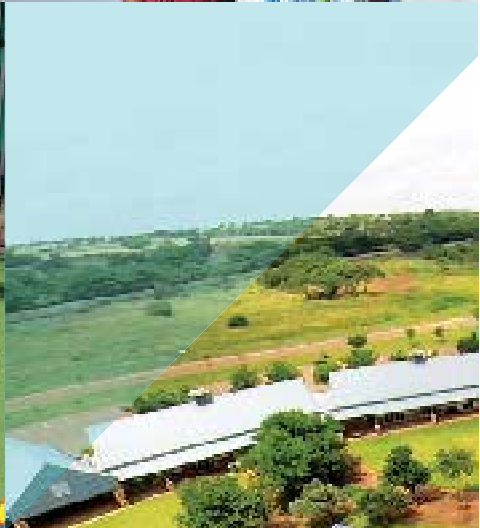
ADTECH GROUP

2017 ANNUAL INTEGRATED REPORT

The Bridge in Beverley, Johannesburg



HIGHLIGHTS

Matric candidates
1 754
2016: 1 636

Number of distinctions
2 866
2016: 2 562

Matric pass rate
99%
2016: 100%

Job candidates placed
3 755
2016: 3 493

Total enrolments
92 475
at February 2018

Tertiary full qualification student enrolments
15%
2017: 33 463
2016: 29 138

Other tertiary qualifications enrolments
28 931

School enrolments
10%
2017: 26 713
2016: 24 199

165
Accredited tertiary courses

Southdowns College, Irene

CONTENTS

GROUP OVERVIEW

BUSINESS REVIEW

CORPORATE GOVERNANCE

ABOUT THIS REPORT

Our annual integrated report for the year ended 31 December 2017 is our primary report to stakeholders.

We provide concise, material and accurate information on the group's strategy, performance, governance and prospects, explaining how we create value over time.

We seek to make our report accessible and understandable to a broad range of stakeholders while providing information relevant to shareholders when making investment decisions.

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

REPORTING FRAMEWORKS

This report has been prepared in accordance with the International Reporting <IR> Framework.

To guide and inform our decisions during the preparation of this report, we applied the principles and requirements contained within the South African Companies Act No 71 of 2008, JSE Listings Requirements, King IV Report on Corporate Governance for South Africa 2016 (King IV) and International Financial Reporting Standards (IFRS).

MATERIAL MATTERS

Material matters are those that could substantially impact our ability to execute our strategic priorities and create value over time. The board of directors has approved the material matters. The process of determination included taking into account the six capitals as identified by the <IR> Framework, namely financial, manufactured, human, intellectual, social and relationship, and natural and feedback from 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.

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 remains a major short- and long-term focus. Our growth strategy includes expansion through organic growth, acquisitions and greenfield projects.

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 vacancies caused by attrition or expansion.

CONSIDERATION OF THE SIX CAPITALS

The development of this report takes into consideration the six capitals in content and process. The structure of this report is aligned with our operational model and strategic priorities.

The strategic imperatives and business model are shown on pages 8 to 9, and detail key challenges, risks and mitigation actions.

ASSURANCE

The board ensures that a combined assurance model is designed and implemented to cover the organisation's significant risks and material matters adequately through a combination of a number of assurance services and functions. 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 external auditors, Deloitte & Touche, are independent and have provided an unqualified opinion on the group's annual financial statements as set out on pages 58 to 118 of the report.

BOARD APPROVAL

The board acknowledges its responsibility for overseeing the integrity and completeness of this integrated report, and has applied its collective mind to the contents of this report, being satisfied that it accurately represents the group's performance for the year under review. As a collective, the board believes that we have appropriately and diligently considered these aspects, while reflecting the group's performance and strategy accurately.

This report, together with the group's annual financial statements, was approved by the board of directors for the year ended 31 December 2017 on 23 April 2018 and signed on its behalf by:

Chris Boulle
Chairman

Roy Douglas
Chief executive officer

2017 FINANCIAL PERFORMANCE AT A GLANCE

	Percentage change	2017	2016
Revenue (R'm)	22%	4 086.9	3 353.1
Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA) (R'm)	7%	795.4	740.6
Operating profit before interest (R'm)	5%	640.1	608.1
Trading operating profit	20%	671.2	560.2
Non-trading income/(expenses)		(31.1)	47.9
Profit before taxation (R'm)	3%	541.0	526.4
Shareholders' equity (R'm)	8%	2 880.1	2 677.3
Total assets (R'm)	20%	5 558.8	4 645.4
EBITDA margin (%)		19.5	22.1
Net asset value per share (cents)	8%	529.0	491.8
Free operating cash flow before capex per share (cents)	25%	111.7	89.1
Headline earnings per share (cents)	(3%)	69.2	71.1
Diluted headline earnings per share (cents)	(3%)	69.1	71.0
Normalised earnings per share (cents)	20%	75.8	63.3
Diluted normalised earnings per share (cents)	20%	75.6	63.2
Gross dividends (cents)	5%	34.0	32.5
Number of employees (at year-end)	17%	6 941	5 916

REVENUE
↑22%

TRADING OPERATING PROFIT
↑20%

REVENUE GENERATED OUTSIDE SA
11%

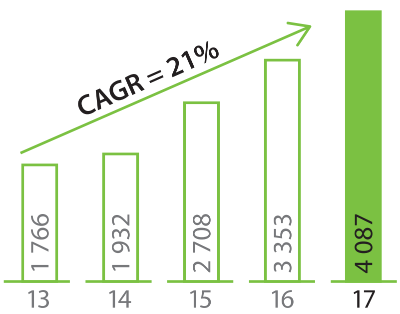
NORMALISED EARNINGS PER SHARE
↑20%

DIVIDENDS PER SHARE FOR THE YEAR
34.0 cents

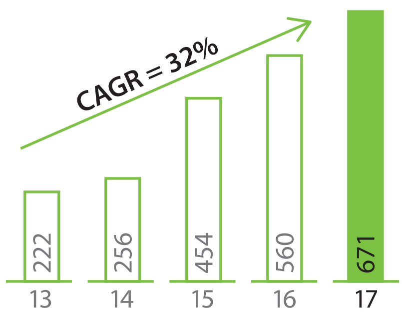
FIVE YEAR FINANCIAL REVIEW

for the year ended 31 December 2017

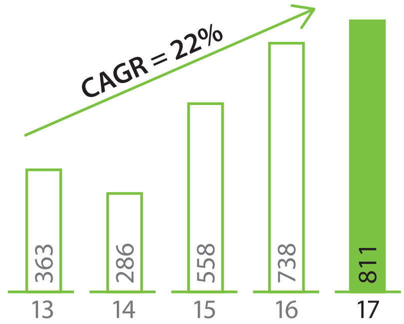
Revenue
(R'm)



Trading operating profit
(R'm)



Cash generated by operating activities
(R'm)



	2017 R'm	2016 R'm	2015 R'm	2014 R'm	2013 R'm
Summarised statements of comprehensive income					
Revenue	4 086.9	3 353.1	2 707.7	1 931.8	1 766.3
Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA)	795.4	740.6	557.9	340.8	291.6
Depreciation and amortisation	155.3	132.5	109.6	84.4	69.9
Operating profit before interest	640.1	608.1	448.3	256.4	221.7
Trading operating profit	671.2	560.2	454.3	256.4	221.7
Non-trading income/(expenses)	(31.1)	47.9	6.0	–	–
Net (finance costs paid)/interest received	(99.1)	(81.7)	(119.7)	(9.1)	3.0
Profit before taxation	541.0	526.4	328.6	247.3	224.7
Taxation	(161.0)	(148.5)	(102.5)	(80.2)	(69.0)
Total comprehensive income for the year	380.0	377.9	226.1	167.1	155.7
Attributable to minority interest	(10.7)	(5.5)	(1.2)	–	–
Profit attributable to equity holders of the parent	369.3	372.4	224.9	167.1	155.7
Headline earnings	369.8	373.5	228.4	167.5	156.0
Normalised earnings	404.8	332.3	247.5	175.9	157.4
Summarised statements of financial position					
Shareholders' equity	2 880.1	2 677.3	2 254.5	928.8	853.0
Interest bearing debt	1 727.0	1 238.3	1 333.1	550.0	300.0
Other non-current liabilities	49.0	–	–	–	–
Deferred taxation liability	100.1	94.1	98.0	–	–
Other current liabilities	802.6	635.7	617.1	481.4	479.7
	5 558.8	4 645.4	4 302.7	1 960.2	1 632.7
Non-current assets	5 101.5	4 222.7	3 894.2	1 646.0	1 397.6
Bank balances and cash	109.9	128.2	176.2	113.8	97.6
Other current assets	347.4	294.5	232.3	200.4	137.5
	5 558.8	4 645.4	4 302.7	1 960.2	1 632.7
Summarised cash flows					
Cash generated by operating activities*	811.1	737.9	557.5	285.7	363.1
Net cash inflow from operating activities*	399.5	291.3	222.6	92.7	199.8
Net cash outflow from investing activities	(919.2)	(441.0)	(1 340.4)	(337.7)	(340.9)
Net cash inflow from financing activities*	312.7	78.2	1 180.2	261.2	180.9
Net (decrease)/increase in cash and cash equivalents	(207.0)	(71.5)	62.4	16.2	39.8

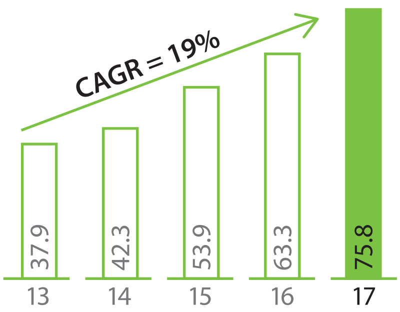
* *The restatement of the comparative information for 2016 is a result of reclassifying the vendor claims reversal of R11.0 million from financing activities into operating activities.*

RATIOS AND STATISTICS

for the year ended 31 December 2017

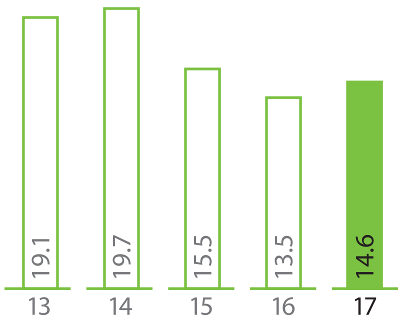
Normalised earnings per share

(cents)



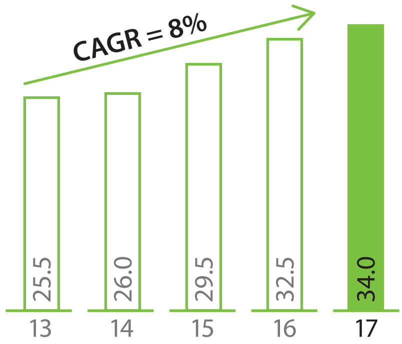
Normalised headline earnings on average shareholders' funds

(%)



Distributions to shareholders

(cents per share)



	2017	2016	2015	2014	2013
Earnings and distribution					
Earnings per share (cents)*	69.1	70.9	50.2	40.2	37.5
Headline earnings per share (cents)*	69.2	71.1	51.0	40.3	37.6
Normalised earnings per share (cents)*	75.8	63.3	55.3	42.3	37.9
Distributions to shareholders per share (cents)	34.0	32.5	29.5	26.0	25.5
Profitability					
EBITDA on revenue (%)	19.5	22.1	20.6	17.6	16.5
EBIT on revenue (%)	15.7	18.1	16.6	13.3	12.6
Operating profit on average shareholders' funds (%)	23.0	24.7	28.2	28.8	26.9
Normalised earnings on average shareholders' funds (%)	14.6	13.5	15.5	19.7	19.1
Return on funds employed (%)**	16.4	16.4	19.4	21.8	23.4
Productivity					
Revenue per average fixed assets (Rand)	1.3	1.2	1.3	1.4	1.6
Revenue per employee (R'000)	588.8	566.8	497.6	478.6	448.1
Revenue per square metre (Rand)	7 913.8	7 437.5	6 371.0	6 313.1	6 859.4
Finance					
Current assets to current liabilities	0.3	0.4	0.4	0.3	0.3
Operating cash flow per share (cents)	73.4	53.5	41.9	22.0	47.4
Capital expenditure (R'millions)	718.0	361.8	406.1	316.4	334.5
Free operating cash flow before capex per share (cents)	111.7	89.1	75.5	47.2	71.5
Net asset value per share (cents)	529.0	491.8	424.7	220.5	202.5
Debtors days as at 31 December	27.4	25.6	26.0	29.0	23.0
Net gearing ratio (%)	56.1	41.5	51.3	47.0	23.7
Other					
Total shares in issue (millions)	544.4	544.4	530.8	421.3	421.3
Weighted average number of shares in issue (millions)*	534.2	525.2	447.8	415.8	415.1
Diluted weighted average number of shares in issue (millions)*	535.2	525.7	447.8	416.2	415.4
Employee headcount at year-end	6 941	5 916	5 441	4 036	3 942
Total capacity occupied ('000 m^2)	516.4	450.8	425.0	306.0	257.5

* *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 of 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.*

ABOUT ADvTECH

Founded in 1978, the ADvTECH group is Africa's largest private education provider and a continental leader in quality education, training, skills development and placement services.

The group reports its performance in a segmental structure reflecting the schools and tertiary as two separate education divisions, and resourcing as the third division.

At our core, irrespective of the brand, ADvTECH delivers excellence.

Read more about our initiatives and successes in the academic excellence feature on pages 26 to 31.

The brands under the ADvTECH umbrella operate independently while being fully supported by the group. This enables each brand to focus on its offerings and value propositions such as unique ethos, products and student learning experience, tailored to the specific target audience, community and market. The range of brands and their niche positioning enables us to provide quality education to specific markets.

ADvTECH's schools division comprises eight brands in South Africa, Botswana and Kenya. We own eight distinctive tertiary brands in South Africa and Zambia, including The Independent Institute of Education, which is South Africa's largest and most accredited private higher education institution. Resourcing division's nine brands place thousands of candidates annually across the continent in 19 countries.

Refer to pages 32 to 41 for our brands overview.

The significant capitals we relied on and that impact our business are discussed on pages 8 and 9.

STATEMENT OF PURPOSE

1. 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.

2. 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 approach our task.

3. 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 VALUES

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

OUR BRANDS

SCHOOLS DIVISION

- Crawford Schools – Pre-Primary • Preparatory • College
- Trinityhouse – Pre-Primary • Preparatory • High
- Centurus Colleges
- Maravest
- ADvTECH Academies
- Junior Colleges
- Abbotts College Senior High School

Our schools in the rest of Africa

TERTIARY DIVISION

The Independent Institute of Education (IIE)

- IIE Rosebank College
- IIE Varsity College
- IIE Vega School – Design • Brand • Business
- The Private Hotel School
- Capsicum
- Oxbridge Academy

Our brands in the rest of Africa

- University of Africa

RESOURCING DIVISION

- Network Recruitment
- Communicate Recruitment
- Cassel&Co
- Tech-Pro
- Financial Appointments
- insource.ict
- IT Edge
- The Working Earth
- CA Global

Our brands in the rest of Africa

- africaHRsolutions

Please refer to our brand overview pages for more detailed information.
Schools brands on pages 32 to 33, tertiary brands on pages 38 to 39 and resourcing brands on page 40.

HOW WE CREATE VALUE

Our business model

OUR CAPITALS | **KEY STAKEHOLDERS** | **KEY INPUTS DURING 2017**

ACADEMIC EXCELLENCE, INTELLECTUAL CAPITAL AND GOVERNANCE

Academic development and investment in effective methodologies, curricula, programmes and qualifications that are relevant, accredited, well-recognised and respected locally and internationally are key to our business. We enhance operational effectiveness by building and employing intellectual capital and through innovation, product and market developments and reassessing business processes and shared services supported by technological development. Another key differentiation is the 26 brands in the group, which remain strong and continue to attract students and clients based on their specific well-defined value propositions and offerings.

Key stakeholders: Regulatory bodies, students, clients and candidates

Key inputs during 2017:

- 26 brands
- Sound compliance and governance systems and academic integrity
- Central academic team who creates and develops material and manages the accreditation process
- The IIE, SA's largest private university
- Highly qualified workforce
- Continuous drive to improve IT systems to support the business

PEOPLE, CULTURE AND HUMAN CAPITAL

Many of our staff are professionally qualified and contribute a wealth of intellectual capital to our academic integrity. Our employees are ambassadors and are vital in growing and running our business. We invest in our employees to ensure we attract and retain high-calibre staff. Our employees, in turn, are passionate and committed to quality and excellence, which assists in creating and maintaining confidence in our value proposition.

Key stakeholders: Employees, independent contractors

Key inputs during 2017:

- 6 941 employees
- Professional, passionate employees
- Talent management and succession planning programme
- R16 million invested in employee training and development

SOCIAL AND RELATIONSHIP CAPITAL

Quality relationships with key stakeholders

With our constant efforts to improve customer service, the business actively manages its stakeholder relationships with our students, parents, communities, clients, our business partners, government, regulators and investors. We also instil a culture of respect and by giving back to the communities through our outreach projects within the areas in which we operate, we aim to instil corporate citizenship and a sense of community.

Key stakeholders: Students, parents, alumni, clients, government and regulatory bodies, investors, shareholders and media

Key inputs during 2017:

- 92 475 students
- Tertiary campuses' student bodies
- Academic training and information sessions with teachers, lecturers, students and parents
- Regular and proactive engagement with regulatory bodies
- Community projects and engagements

MANUFACTURED/INFRASTRUCTURE CAPITAL

Environment conducive to learning

Creating environments conducive to learning, enabling our students to meet their full potential academically and become well-rounded individuals. We invest significant financial capital in our campuses, furniture and fittings, technology equipment and facilities to expand our brands to deliver on our brand specific value offerings.

Key stakeholders: Students, teachers, lecturers, municipalities, government and regulatory bodies

Key inputs during 2017:

- 117 education sites
- Digitally enabled campuses
- Dedicated properties team
- Educational facilities design specialist

FINANCIAL CAPITAL

We use cash generated by our business activities and investments as well as funding, both debt and equity, to finance business growth organically and through strategic investments to support the group's short-, medium- and long-term sustainability and growth plans. We provide our shareholders with a return on their investments through regular dividend payments.

Key stakeholders: Investors, shareholders and employees

Key inputs during 2017:

- R811 million internally generated cash flows
- R300 million increase in debt
- R216 million invested in acquisitions
- R718 million of capex

NATURAL CAPITAL

We rely on natural resources such as land, energy and water to run our operations and are mindful of the fact that we need to preserve these precious resources by mitigating potential negative environmental impacts through responsible usage. Additionally, we educate our students and instil a deep respect for the environment.

Key stakeholders: Communities and environment

Read more about our key stakeholder relationships on pages 42 and 43.

Key inputs during 2017:

- Energy efficiencies and water saving projects
- Various recycling projects
- Community upliftment projects
- Business and CSI through Izzi Trust and Ulwazi Educational Trust
- Environmental education forms an integral part of the curriculum

Impacting the economy and society

- Supporting South Africa's transformation goals
- Uplifting and developing society
- Creating employment

EXTERNAL ENVIRONMENT • REGULATION

OUTPUTS & BUSINESS ACTIVITIES

Superior returns relative to peers • Investment • Strong demand • Innovation and research • Sustained income and market leadership • Active stakeholder engagement

ROBUST CORPORATE GOVERNANCE AND RISK MANAGEMENT FRAMEWORKS

SCHOOLS DIVISION

8 brands with 89 schools

ADvTECH is a leader in the premium independent schools sector

Each brand has a well-defined value proposition to serve their communities and target audience

TERTIARY DIVISION

8 brands with 28 campuses

ADvTECH owns South Africa's largest registered private higher education provider, The Independent Institute of Education (IIE)

Internationally accredited with the British Accreditation Council (BAC)

RESOURCING DIVISION

9 brands

ADvTECH's resourcing division focuses on niche placements in the finance, IT, engineering, HR logistics, freight and supply chain management sectors

SUPPORT SERVICES

• Central Academic Team • Communications • Finance • Internal Audit • HR • IT • Legal • Properties and facilities management • Shared services

Read more in our divisional reports on pages 32 to 41.

STRATEGIC OBJECTIVES

ACADEMIC EXCELLENCE

EXCELLENCE THROUGH SPECIALISATION

GROWTH

INNOVATION

HUMAN CAPITAL PRODUCTIVITY

CAPITAL PRODUCTIVITY

CUSTOMER FOCUS

AFRICA

Read about our strategic objectives on pages 10 to 15.

OUTCOMES ON OUR CAPITALS

- Reputation for academic excellence
- Excellent matric results with a 99% pass rate
- Excellent local and international assessment results
- International recognition by US Ivy League schools
- The IIE has 99 DHET registered and accredited courses
- 4 417 IIE graduates in 2017
- Total of 165 accredited tertiary courses
- Accredited and endorsed by reputable local and international bodies
- Affiliated with organisations ensuring relevance and compliance with top industry practices
- Member of the Independent Schools Association of Southern Africa (ISASA)

- 647 long service awards
- 494 employees attending management development training programmes
- R1 756 million in salaries and benefits paid to employees
- Achieved the Top Employer Certification 2017 for the third consecutive year

- New 24 hour online customer service platform successfully resolved 49 228 calls
- Invested in student information system services in both schools and tertiary divisions
- 13% Increase in student numbers
- 3 755 job candidates placed during 2017

- Increase in educational sites by 19% from 98 to 117
- Five acquisitions concluded in 2017
- Achieved strong organic growth in tertiary and resourcing divisions
- Improved pipeline for greenfield developments
- Capacity growth of 13% through our facilities developed
- Developed a footprint in East Africa
- Enhanced our unique academic offering at schools
- 99 IIE DHET accredited and registered qualifications offered

- Revenue up 22% to R4 087 million
- Trading EBITDA up 19% to R827 million
- Trading operating profit up 20%
- NEPS up 20%
- Free cash flow per share 111.7 cents
- Dividends per share 34.0 cents

- 492 CSI projects undertaken
- Bursaries awarded to the value of R130 million
- Environmentally friendly campuses: gas geysers, rainwater capture tanks, recycling and using video conferencing to reduce travel costs
- 11 teacher training bursary graduates placed within ADvTECH schools
- Three schools were internationally certified as eco-schools
- Resourcing division achieved B-BBEE Level 8 compliance on the new codes
- Day zero water conservation plans are in place at affected sites in the Western Cape

SOCIO-ECONOMIC ENVIRONMENT • ECONOMY

OUR **STRATEGIC** OBJECTIVES, PERFORMANCE, RISKS AND OPPORTUNITIES

STRATEGIC OBJECTIVES	PERFORMANCE AGAINST OBJECTIVES: ACTIVITIES	PERFORMANCE AGAINST OBJECTIVES: PERFORMANCE OUTCOMES
ACADEMIC EXCELLENCE To ensure academic excellence, we remain up to date with developments in pedagogy and supporting tools, including technology and 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 institutions, programmes and graduates.	**Schools** > Developed and enhanced the teaching and learning environment > Developed a new curriculum for assisted learning > Digital GoLab project piloted in CrawfordSchools™ > Benchmarking our performance, locally and internationally > Learning analytics invested in a student information system > Became members of Independent Schools Association of South Africa (ISASA) **Tertiary** > Academic development of relevant qualifications > Acquisitions added 44 qualifications to our portfolio > Benchmarking our performance, locally and internationally > Graduate Empowerment Programme (GEP) focusing on graduate work ready programmes and internships For more detailed information on the academic excellence feature, refer to pages 26 to 31.	**Schools** > Excellent matric results > Alumni successes Refer to the schools division report on pages 32 to 35 for more information. > Support and workshops for principals and teachers > Master classes for students to promote creative thinking and problem-solving skills > Information sessions for parents > Successfully piloted the GoLab project, which is now being rolled out nationally across the school brands > International recognition of academic excellence: • Tournament of the Minds (TOM), a first in South Africa • US Ivy League universities visited and recruited students from Crawford Colleges™ • Integrated the United Nations Sustainable Development Goals of 2030 into our curriculum **Tertiary** > Five new IIE DHET registered and CHE accredited qualifications were added to the portfolio > 82% average module pass rate > 18% module distinction rate > Total of 165 accredited tertiary courses > Brands and students received local and international accolades > Varsity College students obtained an 83% pass rate for the SAICA ITC board exams, which is above the national average of 78%, indicating that our students perform better than those at most public universities > Vega students made their presence felt in industry competitions by winning 12 national accolades Read more in the tertiary division report on pages 36 to 39. > School of Education opened at Varsity College and Rosebank College (Rosebank College first intake in 2018) > Pan-African PhD programme launched at University of Africa > The IIE was re-accredited with the British Accreditation Council (BAC)
EXCELLENCE THROUGH SPECIALISATION Realising excellence by targeting high demand niche markets with specialist skills and with a continuously refreshed candidate database to ensure that we are best positioned to meet our client needs.	**Resourcing** > Continued to focus on the key niche areas of: • Finance • IT • Engineering • Supply chain and • Logistics > Expanded and sought opportunities outside of South Africa > Improved efficiencies and cost savings	> Strong growth achieved in the rest of Africa > Increased our market share in South Africa > Improved operating structures and client experience by merging Brent Personnel and Inkokheli into Cassel&Co and the Working Earth Read more in the resourcing divisional report on page 41.

For more context, please refer to our business model on pages 8 and 9.

KEY CHALLENGES	OPPORTUNITIES	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 institutions	> Increase participation in our programme to develop and grow suitable teachers, lecturers and other academic staff > Opportunity to educate the media and greater public on academic issues such as "private universities" Read more in our stakeholder engagement section on page 42, and on pages 26 to 31 of the Academic Excellence feature.	> 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 changes 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 Refer to the academic excellence feature for information. > Collaboration with e-learning specialists to enhance digital literacy across ADvTECH schools > We ensure that we comply fully with all regulations. > Two IIE teaching qualifications were developed and presented at Varsity College and Rosebank College campuses > An IIE qualification focused on higher education, lecturing skills, postgraduate diploma in higher education (PHEG) is available through distance educational platforms > Increased public relations efforts focusing on academic matters and educating the media, public and employees Read more in our stakeholder engagement on pages 42 to 43.
> Evidence of industry convergence with non-traditional organisations providing recruitment services, increasing the competition in a market with a shrinking candidate base	> Geographic expansion by seeking additional opportunities outside South Africa > Ensure excellence to continue increasing our market share > Seek new high growth niches to service	> Increasingly volatile economic environment has potential to reduce recruitment activity > New models may change the way in which recruitment is undertaken	> 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 > Continue to explore new technologies and channels to market in order to ensure that we remain relevant

OUR STRATEGIC OBJECTIVES, PERFORMANCE, RISKS AND OPPORTUNITIES continued

STRATEGIC OBJECTIVES	PERFORMANCE AGAINST OBJECTIVES: ACTIVITIES	PERFORMANCE AGAINST OBJECTIVES: PERFORMANCE OUTCOMES
GROWTH Growth is attainable by expanding our existing brands organically and 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.	**Greenfield developments opening in mid-fee sector** > Founders Hill High > Copperleaf Pre-Primary & Primary > Maragon Mooikloof High schools opened in 2018 **Acquired** > Elkanah House School > Greenwood Bay College > Glenwood House School > The Private Hotel School > Summit College **New developments to increase geographic footprint** Various capex projects undertaken to increase capacity More information is available in the CEO's and divisional reports.	> Strong organic growth in schools mid-fee brands and tertiary division > Increased our footprint in Western Cape to 13 schools > Schools capacity added to existing sites: 33 000m^2 resulting in a 6% capacity increase > Established presence in the hotel, hospitality and culinary industry > Five new schools and two tertiary campuses opened in 2018 > Rosebank College digitally enabled campuses in Pietermaritzburg and Bloemfontein opened in 2018 > A growing pipeline of 28 developments Please refer to the FD's report on pages 22 to 24 for more information.
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 while fulfilling the need for quality education. We aim to generate 30% of our revenue from outside South Africa by 2020.	Expanded the scale of Africa HR Solutions during the year, resulting in a significant increase in our customer base across the continent **Acquired** > University of Africa > Commenced the construction of Crawford International School in Nairobi **New developments** > Actively assessing opportunities in the rest of Africa, with in-depth work done to identify and research markets and potential acquisitions Read more in the CEO's report on pages 18 to 21.	> Establishing and expanding our footprint in East Africa > Diversifying revenue streams – 11% of revenue generated outside of South Africa > Crawford International School opening in September 2018
INNOVATION **CUSTOMER CENTRICITY** Proactively seek to understand customer learning experience requirements and strive to simplify their interactions with all parts of the business.	> Completed the pilot project for online registration functionality for IIE students > Invested in a student information system for the schools and tertiary divisions to improve efficiencies in key processes, which will have a direct impact on customer experience > Integrated system used by schools and tertiary division > Online service desk implemented across tertiary division to answer questions and facilitate the registration process	> Easy online registration process for the IIE brands > Education brands provided with high-quality analytical reporting platform, a system that generates actionable insights and management tools to drive best practice and individualised focus > One system from kindergarten to postgraduate > Improved service to customers > Enables data-driven decisions > 49 228 student queries have been resolved by the service desk
PRODUCT INNOVATION Frequent product and market trend monitoring and interpretation that drives relevant and sustainable product development.	**New products developed:** > Five new IIE degrees accredited > The Bridge Assisted Learning School, a new niche product offering, was developed > Abbotts College introduced grades 8 and 9 at selected campuses > A pilot project at Sandton Junior Colleges now includes Grade 1 from 2018	> The Bridge Assisted Learning school's first campus opened in 2018 > The success of a pilot project at Abbotts College has led to a national roll-out Please refer to the schools divisional report for more information on pages 32 to 35.

For more context, please refer to our business model on pages 8 and 9.

KEY CHALLENGES	OPPORTUNITIES	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 > Integrating acquisitions into our business systems and processes	> Growth in the private school mid-fee sector > Grow the tourism, hotel, hospitality and culinary offerings > Continued demand for affordable, quality tertiary education Refer to the tertiary divisional report on pages 36 to 39 for more information.	> 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 hospitality and culinary sectors have seen a growth spurt and continue to do so > We are developing products in areas of high demand for employment and expanding the offering geographically > The blended learning model has proven to be successful, assuring quality and affordable qualifications. Plans are in place to continue to roll out the digital campuses nationally > We ensure that we have good knowledge of regulations so that we comply fully with them in the shortest possible time Read more in our academic excellence feature on pages 26 to 31.
> Finding acquisition opportunities in the rest of Africa > Different regulations compared to South Africa > Currency fluctuations may impact our return on investment	> Identify further growth opportunities in Africa	> 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 several decades > The International Finance Corporation (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
> Owing to a highly competitive market segment, it is increasingly difficult to understand customer needs, given the diverse choices available Refer to pages 42 to 43 to read more about our key stakeholder relationships.	> Tailor the student information system to our specific needs based on best practice > Update processes and streamline efficiencies	> Investing in technology that 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 the proposed system fails Refer to our academic excellence feature on page 26 for more information.
> Fast pace of change in the new employment market as new jobs are created and other jobs fall away	> Explore new delivery channels to enhance the offering > Develop new and relevant qualifications to cater for an ever changing job market Refer to our academic excellence feature for more information on how we develop relevant qualifications on page 26.	> An ever evolving regulatory environment has the potential to increase the cost and slow down the development and the introduction of new educational material to the market	> Through integrated planning and contingency management, we are able to respond accordingly > Proactive stakeholder management enables us to nurture working relationships with regulatory authorities > Staying abreast of the skills demand/trends in the employment market allows us to develop relevant education programmes > Continue to explore gaps in the market

OUR STRATEGIC OBJECTIVES, PERFORMANCE, RISKS AND OPPORTUNITIES continued

STRATEGIC OBJECTIVES | **PERFORMANCE AGAINST OBJECTIVES** (ACTIVITIES / PERFORMANCE OUTCOMES)

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.

ACTIVITIES

> Restructured schools head office structures to improve business delivery
> Restructuring and alignment of support functions such as transactional finance, technology, HR, facilities management and divisional head offices has commenced
> Launched the schools and tertiary student information system, a shared education management system, to improve operations, reporting and data tracking
> Reduced physical IT infrastructure by deploying Office 365

Read more in the CEO's report on page 18, and the schools division report on page 32.

PERFORMANCE OUTCOMES

> Implementation of a shared services and operational transformation is in progress, with investment in technology and systems
> Improved efficiencies by lowering the cost base of operations whilst also improving internal controls
> Greater operational efficiencies to drive improved administration and support service delivery
> Support functions successfully transitioned to shared service:
- HR administration and payroll management
- Travel management

HUMAN CAPITAL PRODUCTIVITY

SKILLS DEVELOPMENT

Empowering employees with skills relevant to their current roles and future career aspirations.

Activities

> Upskill and develop potential and new managers

Please refer to the CEO's report, for more detail.

Performance outcomes

> R16 million skills development expenditure
> 494 employees participated in, and were upskilled in, development programmes:
- 432 Management toolkit development participants
- 44 Management Development Programme (MDP) attendees
- 18 Leaders attended the Leadership Development Programme (LDP)

> Teacher training bursaries:
- 43 active bursary recipients
- 11 bursary graduates placed within ADvTECH schools

EMPLOYEE VALUE PROPOSITION

To create the conditions to attract critical skills and retain high performance.

Activities

> Participation in Top Employers certification
> Formed of the employment equity committee to develop a plan and define targets
> Employees participated in an internal cultural survey

Please refer to the Remuneration Committee report on pages 52 to 55 for more information on incentive schemes.

Performance outcomes

> Improved score from 74% to 78% in the Top Employer certification
> Active communication with staff to contribute, raise issues and suggest further improvements to our employment equity efforts
> Scored in the upper quartile compared to other companies that participated in the cultural survey

GRADUATE PLACEMENT

Actively ensuring that our academic offerings have "real world" application and that students are immediately employable.

Activities

> Graduate empowerment programme (GEP) and employability toolkit facilitates graduates to find employment
> Capsicum and The Private Hotel School facilitation of internships for work experience modules often leads to employment

Please read more in the tertiary division report on page 36.

Performance outcomes

> Since 2016, 4 030 Rosebank College graduates were placed in first jobs through the GEP
> 100% of The Private Hotel School and Capsicum graduates were employed after graduation

CAPITAL PRODUCTIVITY

RETURN ON INVESTMENT

Identifying the most appropriate investment opportunities and leveraging the associated benefits while protecting and enhancing the respective assets for the best returns.

Activities

> Investigated a benefits tracking mechanism for deployment to all investments
> Compiled a standardised and improved due diligence methodology
> Drafted a targeted asset and facilities maintenance strategy in order to reduce total cost of ownership
> Revamped aging facilities to improve the look and feel of our offerings in order to create a more compelling customer proposition
> Ongoing assessment of suitable opportunities in South Africa as well as other African countries

Please refer to our operating environment on page 16 and key stakeholder engagements on pages 42 to 43.

Performance outcomes

> To facilitate growth, new campuses were acquired and increased capacity on existing campuses was developed
> The measured roll-out of our expansion plan continues to be implemented
> Capex increased to R718 million

For more information refer to the FD's report on pages 22 to 24.

For more context, please refer to our business model on pages 8 and 9.

KEY CHALLENGES	OPPORTUNITIES	RISKS	MITIGATION ACTIONS
> Business readiness to adopt a "new way of working"	> Opportunity to strengthen processes and policies. > Improve systems further, in order to drive efficiencies while supported by technology	> Limited adoption of standard business processes and policies Please refer to pages 42 and 43 to learn more about our key stakeholder relationships.	> Improve and strengthen processes, authorisations and protocols > 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
> Staff retention remains an ongoing challenge to ensure that we benefit fully from our employees' development programmes	> Improve succession planning > Improve employees, develop programmes > Improved retention prospects of best staff	> 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 > A detailed employment equity plan has been submitted with defined targets aligned to the amended Codes of Good Practice for Broad-Based Black Economic Empowerment (BBBEE) > The group has been making consistent progress in improving its BBBEE scores
> An evident shortage of critical skills is driving the "war for talent"	> Attract the best staff by being an employer of choice	> A risk exists of not attracting or losing key skills in a competitive marketplace if our employee value proposition is not sufficiently compelling	> Participation in the Top Employers certification and conducting an internal cultural survey ensures a close focus allowing us to consistently improve employee practices and benefits > An employment equity committee has been established to give effect to the provisions of the employment Equity Act to monitor and assist in the implementation of relevant programmes and policies
> Low levels of economic growth continue to impact levels of employment and may reduce our ability to successfully place graduates	> Grow and expand business partnerships in order to place more graduates	> Shrinking market may limit our ability to assist graduates in finding employment	> By working proactively through business partnerships, we are able to understand business needs and channel key skills > Through the GEP and internships, we have created long-standing relationships with employers, providing employment opportunities for our graduates Read more in the tertiary division report on page 36.
> 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.	> Explore opportunities to lower the total cost of ownership of our facilities.	> Unable to accurately assess the opportunity costs associated with an investment. > Not achieving 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.

OPERATING ENVIRONMENT

ADvTECH's schools, tertiary and resourcing divisions operate within an environment filled with challenges and opportunities.

With several decades of experience in providing education and training, we are undoubtedly the market leader. We remain well positioned to continue growth, despite new players entering the market.

The growth in the demand for and provision of private education is good for the sector as a whole, and also for ADvTECH with our unique value proposition and in particular our focus on academic excellence.

Given the constraints in public sector education, more and more parents are investigating alternatives in the private sector.

This is where our strategy of providing high quality education tailored to the needs of specific communities, to best prepare young people for future success in a changing world, differentiates us.

Globally, private universities are seen as complementing the higher education offering, just as private schools do in the basic education sector. Private universities are viewed as a healthy part of a diverse university sector.

However, in South Africa, the regulatory environment does not currently allow private higher education institutions to use terms such as "university", which means that the private higher education sector is often not well understood.

Because private higher education institutions may not, by law, call themselves private universities, the ability to clearly communicate offerings in this sector remains constrained.

However, through a concerted and sustained campaign by private providers, the general public's understanding of the environment continues to shift.

In addition, perceptions regarding affordability are also changing.

While fees are at times higher at private institutions, the quantum difference is not always as significant as assumed – particularly when success rates and other differentiators are taken into consideration. In many instances there is, in fact, very little difference.

Private institutions, including ADvTECH's schools and tertiary institutions, do not receive subsidies and are thus dependent on student fees. However, unlike many lower fee options in the public sector, ADvTECH invests consistently in state-of-the-art campuses, up-to-date teaching and learning methodologies and professional academic staff with a solid track record to develop our curricula and teach our students. These investments pay off in terms of academic success, throughput rates and employability, and ultimately deliver financial benefits to learners and students.

In recent years, and particularly last year, there have been numerous negative developments in the public sector, raising questions about its potential impact on the private sector.

At schools level, South Africa scored worst of all countries surveyed in the latest report by the International Association of Evolution of Educational Achievement and UNESCO. According to the report, 78% of South African pupils in Grade 4 were considered to be illiterate.

At higher education and tertiary level, an unexpected announcement by then President Jacob Zuma on 16 December 2017, that tertiary education would in future be free, went against the advice of the Heher Commission. It also did not detail a roll-out strategy.

Additionally, some have suggested that there will be an influx of students and learners into the private sector, given the challenges and often volatile developments in the public sector.

But while developments in the public sector remain important to consider on a macro scale, they do not have a marked influence on our operating environment.

For instance, student numbers at the Independent Institute of Education (IIE), our higher education, or "private university" division as the media sometimes call it, has shown strong growth for several years.

Please refer to pages 28 to 31 for more information on the IIE.

Yet this growth does not come on the back of push factors in the public sector, but rather pull factors related to our offering and greater public understanding of how a high-quality education offering paired with a work-ready focus increases employment opportunities in several disciplines.

There has been some impact on school enrolments as a result of families emigrating and the tough economic environment. We expect, should the promises of a new administration and improved economic growth in South Africa come to fruition, that emigration and affordability will have less of an impact in coming years.

We continue to believe that there is room in South Africa for the public and the private sector to proceed with a unified higher education strategy as partners. This will increase access to higher education and student prospects because of a better matching of individual requirements with the available opportunities.

Despite certain challenges that remain, in terms of an optimal partnership between the public and private sector, these exact same challenges continue to be a strength for ADvTECH in terms of retaining its leadership position in private education.

While new entrants into the market correctly identify the massive growth opportunities, their capacity to realise these opportunities is impeded by bureaucratic and regulatory constraints. This landscape, however, is one that ADvTECH has navigated for decades. During this time we have built valuable relationships and, crucially, the requisite administrative structures to ensure the successful registration and accreditation of new institutions and qualifications.

As we grow our footprint in the rest of Africa, both through acquisitions and greenfield developments, our experience and track record combined with the fact that we partner with experts in the business, will help us extend our high-quality offering in other growth markets.

The resourcing division continues to lead the field as a result of its focus on the new skills required in coming years. Because of the unstable political and socio-economic environment, companies remain cautious and seek to ensure that candidates are not only technically competent, but also have the soft skills and creative thinking skills that will be required in the face of increasing automation.

Refer to our stakeholder relationship report on page 42, our strategic objectives in the CEO's report on pages 18 to 21 and how we manage and mitigate these risks on pages 10 to 15.

CHAIRMAN'S LETTER

DEAR STAKEHOLDERS

The demand for quality private education is constantly on the rise in South Africa and the rest of Africa, as shown by the many new competitors entering the market and the growth in student enrolment at our various institutions. The need for quality education in South Africa is even greater than initially thought, as indicated by the results of the Progress in International Reading Literacy Study which revealed that almost 80% of Grade 4 learners are unable to comprehend what they read.

In his State of the Nation speech, President Ramaphosa said that "We are building a country where a person's prospects are determined by their own initiative and hard work, and not by the colour of their skin, place of birth, gender, language or income of their parents." ADvTECH has always believed education to be the enabler of South Africa's prosperity and success because it equips our learners and society with the necessary skills required by the country to grow the economy. We are renowned for our commitment to quality education and we have become increasingly aware of our role in contributing meaningfully towards the attainment of inclusive growth in South Africa through education and human capital development. In our quest to enrich more people's lives and prospects, we continue to increase our more affordable offerings at school and tertiary level. This, combined with our strategy to increase our resourcing division's joint venture partnerships in the rest of Africa, means we remain well positioned as the leader in quality private education and resourcing services, and poised for continued growth into the future.

Although global economic activity strengthened, unfavourable local economic and political conditions dampened confidence, resulting in muted investment and growth during the financial period. Economic policy remained uncertain, with increasing calls for the introduction of populist policies to transform the economy as the majority of the population remains marginalised. This was not improved by the political disquiet centred around increasing corruption levels as seen in the state capture allegations and the #GuptaLeaks. The private sector was not spared in this regard as global and South African blue chip companies became embroiled in governance issues.

The appointment of Cyril Ramaphosa as the new president of South Africa in February 2018, following his victory at the African National Congress election conference two months earlier, resulted in a marked improvement in investor and national sentiment. In his maiden State of the Nation Address, President Ramaphosa outlined a more consultative, "compacting" style of government, emphasising the need to build a better South Africa for all before calling on all stakeholders to "lend a hand". We stand ready to play our part in transforming South Africa to ensure that youth actively participate in the economy.

We welcome the government's commitment to prioritise economic growth, build a capable state and target corruption and state capture. Together, these developments have seen a rebound in national confidence as evidenced by market buoyancy, the Rand's strong performance and improved growth prospects. The prospects of a closer relationship between business, government, labour and civil society also holds out the possibility that the private education sector may in future be able to cooperate more closely with government.

Despite the tough operating environment in the period under review, we executed our strategy and maintained our upward trajectory as reflected in the market-related investment return to our shareholders.

ADvTECH's expansion into the rest of Africa has been fruitful following numerous acquisitions and partnerships. Diversifying across the continent reduces our reliance on the South African economy and broadens our opportunities.

Notwithstanding our successes, we have not remained immune to the prevailing political and economic conditions, with the schools division being most affected by weak economic growth. The division recorded muted growth in the premium segment, largely due to unprecedented levels of emigration and "semigration" to the Western Cape. The consistent rise in the number of families emigrating and "semigrating" translates into the loss of students in higher grades, where it is hard to replace them. We have also seen withdrawals as a result of financial pressures.

As disclosed towards the end of last year, the schools division was the victim of fraud which was voluntarily disclosed to the market in the interests of transparency and good corporate governance. The fraud was identified as a direct result of the current restructuring of the finance and administrative functions within the schools division as part of the centralised shared services initiative. The fraudulent activity will not impact delivery or services at any of our schools and the matter will be pursued to the full extent of the law.

The group financial director's report deals with this matter in more detail. Refer to pages 22 to 24.

At the tertiary division, there is a new dynamic following the government's announcement of free higher education to the poor and working class, despite the Heher Commission not recommending this model. It is unclear at this stage whether this will result in an increase in the number of students entering public universities. As a private higher education provider, ADvTECH does not benefit from any government subsidy and our stakeholders appreciate the fact that we cannot provide free higher education. We believe in the strength and quality of our offering and do not foresee any adverse impact on our business following this announcement.

South Africa's precarious economic position resulted in record unemployment, affecting the resourcing division. The division pursued a successful growth and diversification strategy into the rest of Africa to counter South Africa's stagnant job market. This resulted in the more resilient performance of the division.

On behalf of the board of directors, I would like to thank the 6 941 employees of the group for their unwavering contribution and dedication in delivering the highest standards of excellence to all our stakeholders. Our people, who uphold the reputation of ADvTECH and our commitment to quality, are essential to our success. We would like to express our appreciation to the CEO and the executive committee for the essential role they play in ensuring that the strategy is successfully executed. We also acknowledge that none of our continued success would be possible without the foundations established by those who have come before us.

I wish to thank my colleagues on the board for their invaluable input, advice and support throughout the year. We are committed to remaining accountable to all our stakeholders through transparent lines of communication and informed decision making to achieve our common goal of ensuring the long-term success and sustainability of the ADvTECH group.

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

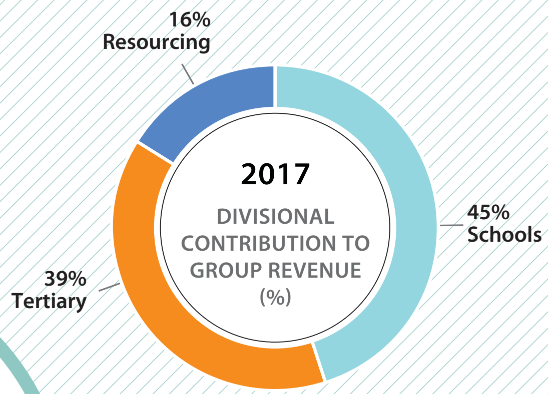
Sincerely

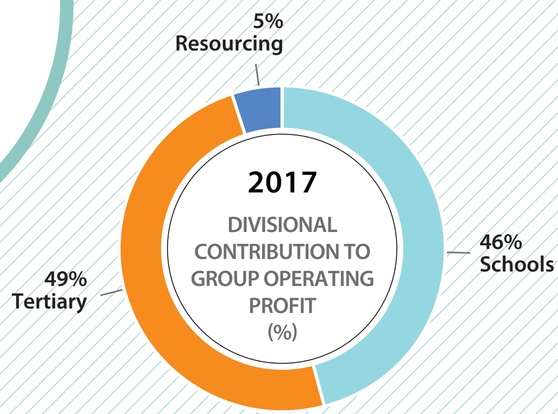
Chris Boulle
Chairman

CEO'S REPORT

We continue to explore new market segments and new product offerings while in our core markets we expect organic and greenfield growth to persist despite increased competition and challenging economic conditions.

Roy Douglas *Chief executive officer*





Please refer to the FD's report on pages 22 to 24 for more detail.

Strategic imperatives

Our commitment to excellence is fundamental to the growth of our business. Students, parents, alumni, new and existing clients and all our other stakeholders rely on our ability to stay at the forefront of developments in education, training and placement. This will remain at the very heart of our strategy.

In the education sector, we have earned a reputation for delivering outstanding academic results – a reputation which is built on academic integrity. Never compromising on quality is the core of our business and we strive to always maintain the confidence of all our stakeholders.

Organic growth is a key measure of our business, and together with acquisitions that add value to our existing portfolio, form an important part of our strategy. We need to ensure that our businesses are healthy and growing.

We continuously update our products, systems and processes so that they remain relevant, and we maintain a balance between our commitment to excellence and our operational overheads. Customer service, supported by technology, is essential to our ability to remain operationally competitive. We therefore do our utmost to understand student, parent and client needs so that doing business with us is an easy process, while staying abreast of innovations and advancements in technology.

Attracting and retaining the best people is a key priority and we realise that we would not achieve success without the enthusiasm, commitment and hard work of our staff members. Therefore, we continually invest in our people and strive to offer optimum working conditions to sustain our key differentiators of academic excellence and targeted brand offerings.

Refer to our business model on pages 8 to 9 and our strategic objectives on pages 10 to 15 for more information. The key stakeholder relationship overview on pages 42 to 45 highlights our efforts.

The 2017 results clearly demonstrate that the business is continuing its trend of strong performance in line with the growth strategy. The benefit of the group's diversified portfolio is reflected in its strength and resilience, with revenue and trading operating profit increasing by 22% and 20% respectively. The tertiary and resourcing divisions performed exceptionally well, as evidenced by significant increases in revenue and operating profit, while the schools division results were somewhat muted.

For several years, the schools division has been the top performer within the business. Presently, though the gross enrolments are still indicative of strong underlying demand, net enrolments were less than expected due to high levels of emigration and leavers as a result of significant financial pressures on consumers. However, we remain confident that our brand value proposition is appropriate, and with the plans we have in place, the division will resume the delivery of good growth in the near future.

The outstanding growth in the tertiary business is owed to solid organic growth and a sound operational performance. Recognising that the domestic market would remain difficult, the resourcing division strategy included the exploration of alternative markets and geographies to pursue growth and profit opportunities, a strategy that has delivered handsomely. We are therefore confident that the business is well positioned for future growth.

Please refer to our operational environment for more insight on page 16.

ADvTECH's increased capital investment indicates confidence in the continued growth of the private education sector in South Africa and the rest of the continent.

Revenue increased by 22% to R4.1 billion (2016: R3.4 billion) and trading operating profit increased by 20% to R671 million (2016: R585 million), with trading operating margins narrowing marginally from 16.8% to 16.4%.

Following a period of significant growth, a restructuring process is under way in our schools division, aimed primarily at enhancing operational efficiencies. This drive is being complemented by the shared services project, which is showing good progress. In addition, a new student information system is being implemented to provide a single, student-centred platform allowing for efficient data entry and reporting while improving service to stakeholders and allowing our institutions to manage student data from prospect to post graduation. It will ultimately be rolled into the tertiary division.

Overall, through greater operating efficiency, the group remains in a position to pursue an ambitious yet considered organic and acquisitive growth strategy in South Africa and elsewhere in Africa.

Highlights for the year include the expansion of our quality offerings and footprint in countries outside South Africa, the conclusion of several acquisitions and the development of new niche product offerings.

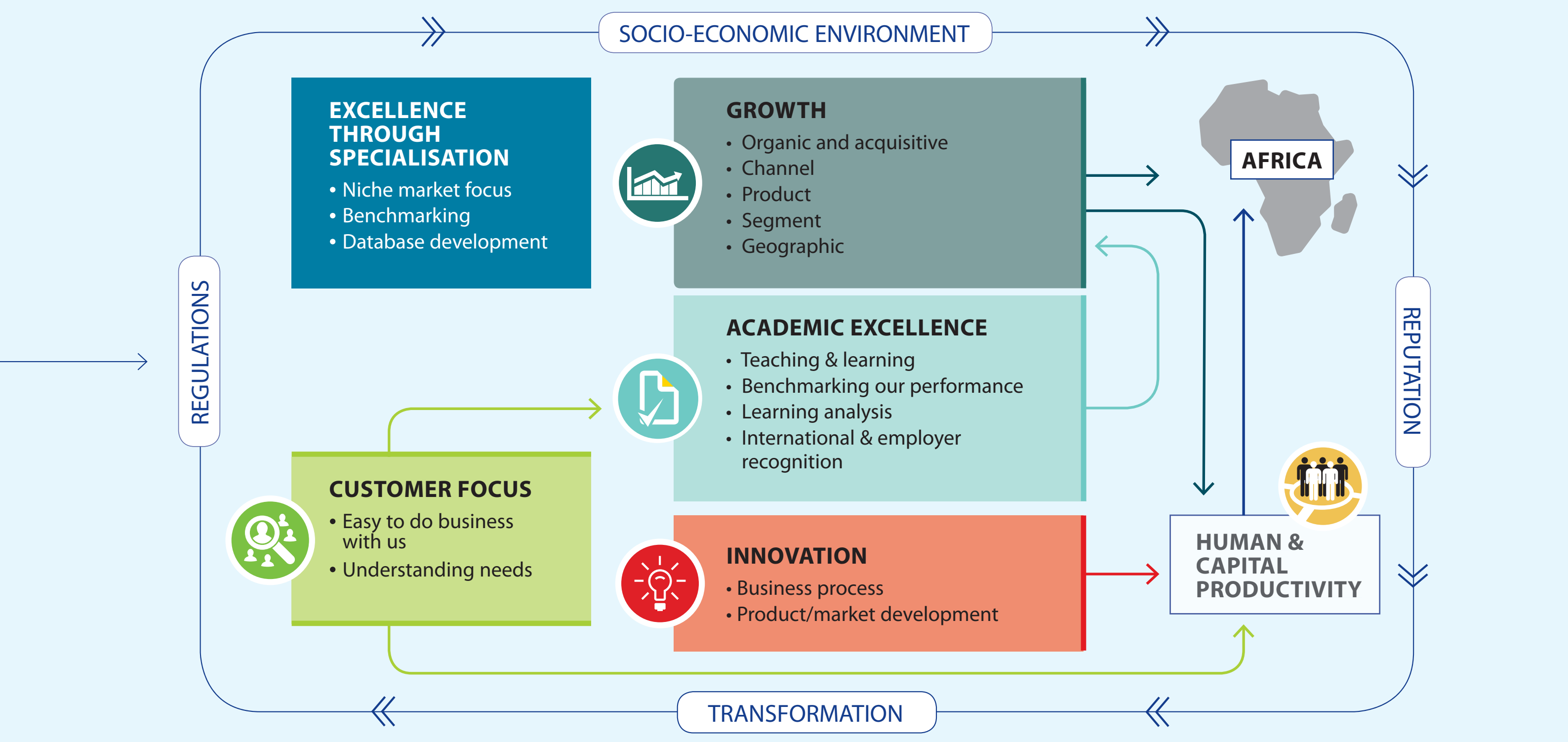
For a quick overview of our performance against objectives please refer to pages 10 to 15.

SCHOOLS DIVISION

An ethos of academic excellence underpins the significant success achieved by our students. Our Independent Examination Board (IEB) students achieved a 100% matric pass rate and averaged two distinctions per student. Seven of the top 56 outstanding IEB achievers in South Africa studied at an ADvTECH school. At 12.5% this is by far the highest representation from any private school group in the country. Our National Senior Certificate (NSC) students achieved a 98% pass rate compared to the national pass rate of 75% and averaged one distinction per student. Overall, 1 754 matric candidates achieved 2 866 distinctions with a 99% pass rate and 98% of our students qualified for entrance into higher education institutions. Such consistently exemplary matric results are clear indicators that we offer the highest standard in education.

Our methodologies and the pedagogy employed in engaging the students in subject-focused curricula is rigorous and aligned to best practice. This ensures that our students perform optimally in the demanding set of examinations, enabling access to tertiary studies at the end of their school careers. Furthermore, the ongoing individual student progress is supported by continual analysis of student performance data, promoting a personalised learning pathway as identified for every student.

Refer to the academic excellence feature on pages 26 to 31 for more information.



CEO'S REPORT continued

Growth in the mid-fee sector is strong, as one could expect in tough economic times. The success of our first two mid-fee greenfield developments, Founders Hill College and Copperleaf College, led to further expansion projects being implemented and planned in the years ahead. Founders Hill, now in its third year of operation, has more than 760 enrolled students while Copperleaf College is also ahead of expectations. These successes have led to a deliberate strategy to increase our pipeline of projects in this sector, with Maragon Mooikloof High and Copperleaf High coming on stream in 2018, while several suitable properties have been secured for an accelerated roll-out in this market sector over the next few years.

Our footprint in the Western Cape increased considerably with the acquisitions of Elkanah House, Greenwood Bay College and Glenwood House School, making up approximately 3 000 students of the division.

The Bridge Assisted Learning School opened its doors in January 2018, addressing a gap in the market by offering specialised education for students from Grade 0 to Grade 7 who have a range of academic challenges that require specific learning intervention.

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

Revenue increased by 14% to R1.9 billion, representing 46% of group revenue, while operating profit declined by 13% to R299 million. Adjusted for the fraud, the trading operating profit showed a 3% increase from R321 million to R330 million.

The schools divisional report on pages 32 to 35 provides more detail.

TERTIARY DIVISION

The tertiary division continued its trend of excellent growth, benefiting from strong organic growth and niched targeted acquisitions. Revenue increased by 26% to R1.6 billion, contributing 39% of group revenue. The operating margin increased from 18% to 20% on the back of operational leverage from strong volume growth, resulting in operating profit increasing by 44% to R321 million.

The tertiary division now offers 165 accredited tertiary courses, with a diverse range of offerings including vocational training, higher certificates, degrees, honours degrees, masters' degrees and PhD programmes.

The table below illustrates the enrolment growth in the last three years, and highlights the continued growth in 2018:

ADvTECH's market differentiator, the Independent Institute of Education (IIE), through its central academic team drives our commitment to academic excellence and 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. The IIE is the largest and most comprehensive investment in curricular development and academic leadership of any private higher education provider in South Africa.

All our tertiary brands provide an exceptional learning experience aligned to the expectations of our students and that of the industry. Most of our courses are delivered at state-of-the-art campuses, in smaller class sizes, and our innovative teaching methodologies together with a personalised learning and student support experience results in increased student success. Our programmes prepare students for the workplace by incorporating placements and simulated work experiences or other practical components.

Read more about the successful Graduate Empowerment Programme (GEP) in our tertiary divisional report on pages 36 and 39.

Enrolments	Feb 2015	Feb 2016	Feb 2017	% increase	**Feb 2018**	% increase
Schools*	22 877	24 199	26 713	10%	27 408	3%
Tertiary full qualifications	24 332	29 138	33 463	15%	36 136	8%
Total	47 209	53 337	60 176	13%	63 544	6%
Other tertiary**					28 931	
Total enrolment numbers					92 475	

* *The 2017 school enrolment numbers include the Elkanah House acquisition.*

** *Oxbridge Academy and the University of Africa have a continual enrolment cycle throughout the year. Enrolments as at 31 December 2017.*

The Rosebank College digitally enabled campus pilot in Polokwane has proven the success of the blended learning model with outstanding academic results being achieved. The model provided expansion opportunities in provincial nodes, with 2018 seeing the opening of two new digitally enabled campuses in Pietermaritzburg and Bloemfontein.

In line with our strategy to explore new markets to increase our presence in fast-growing sectors, we acquired a majority share in the highly acclaimed and industry respected The Private Hotel School. Combined with the acquisition of Capsicum Culinary Studio, the increased presence in the fast-growing hotel, hospitality and culinary sector offers a secure foundation to base future plans and expansions. A new joint campus for The Private Hotel School and Capsicum was opened in 2018 in Rosebank, Johannesburg.

RESOURCING DIVISION

The resourcing division's outstanding performance is mainly due to the success of the strategy to enter alternative markets outside South Africa where we have experienced significant growth. While in South Africa the tough market, conditions continue to persist, we have grown our share of a declining market, placing 3 755 job candidates (2016: 3 493). Revenue increased by 40% to R644 million, while operating profit increased by 59% to R32 million. The division continues to be highly cash-generative.

The challenging local market demands that we constantly strive for improvement. Our efforts focus on expediting the process of identifying the best candidates and placing them with clients requiring scarce skills.

The process is optimised with the use of technology and systems, resulting in increased customer satisfaction.

A noteworthy development is the recent establishment of a Broad-Based Ownership Scheme (BBOS). Through the scheme, the Ulwasi Educational Trust was created to facilitate the flow of beneficiary dividends from resourcing to sponsor disadvantaged pupils and students via bursaries at ADvTECH schools. The scheme fully complies with the requirements of the relevant Acts. A BBBEE compliance level 4 is our target.

Please refer to pages 40 to 41 for more detail in the resourcing divisional report.

REST OF AFRICA

With 11% of revenue in 2017 being generated outside of South Africa, we are well on track to meet our 2020 target of 30%. An exciting development is the opening in September 2018 of the first Crawford International School in Nairobi, Kenya, our first greenfield development outside South Africa. In partnership with Rendevour, the largest international property development group in Africa, the project is showing steady progress. This adds to our other investments, which include Gaborone International School in Botswana and the University of Africa in Zambia. In the resourcing division, Africa HR Solutions and CA Global continues to grow strongly as it services operations across Africa.

OUR PEOPLE

Our ability to attract and retain skills is key to our success, and we continue to make considerable investments in our people.

Our integrated management development programmes aim to train and develop our employees to enhance succession planning in preparation for organisational and structural changes, comprise a management toolkit, mentoring programmes, a management development programme (MDP) to develop current and future management and a leadership development programme (LDP). With the growth in the schools division, we are looking to enhance our offering through the development of a specialised principal development programme.

Please refer to pages 8 and 9 as well as 14 and 15 for more information on our programmes and efforts relating to human capital development.

For the third year running, we received the international Top Employer certification from the Top Employers Institute with our score improving from 74% to 78%.

Our goal is to provide an innovative and enabling culture to support our strategic objectives. We conducted an internal staff culture survey throughout the group, the objective being to collect data from employees about aspects that shape the organisational culture and our approach to transformation. While there is still room for improvement, the results of the survey were very encouraging and indicative that we are on the right track.

PROSPECTS

We continue to see numerous opportunities, both in South Africa and the rest of the continent, and the group remains in a strong position to pursue its ambitious yet considered organic and acquisitive growth strategy.

New market segments and new product offerings are continuously being explored, while in our core markets we expect organic and greenfield growth to continue despite increased competition and challenging economic conditions. These factors, we believe, will further enhance our business performance and further diversify our portfolio.

I thank the board and Exco for their insights and guidance. In particular, I would like to thank the staff of ADvTECH who play such a vital role in the success of our business.

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

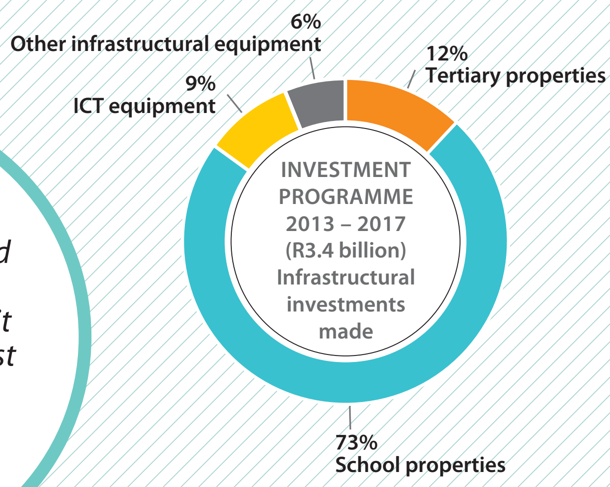
Roy Douglas
Chief executive officer

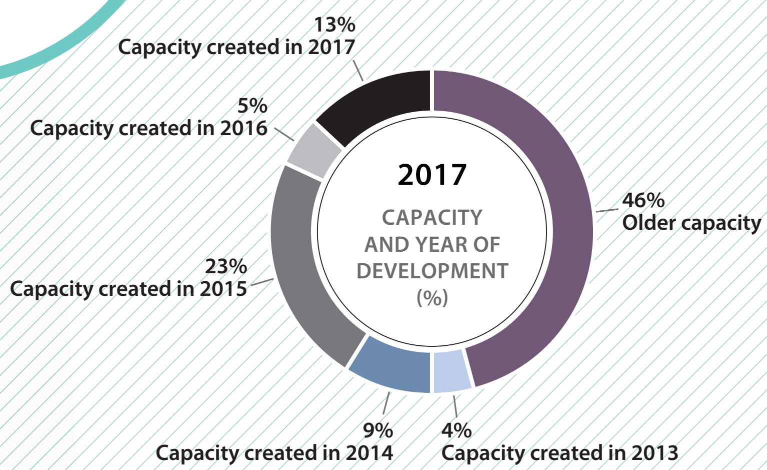
Copperleaf College, Centurion

FINANCIAL DIRECTOR'S REPORT

Didier Oesch *Group financial director*

> *A compound annual growth rate of 21% and 32% in revenue and trading operating profit respectively over the last five years resulted in a marked change to the scale of the group.*





The ADvTECH group achieved pleasing trading results for the year ended 31 December 2017 and continued its consistent trend of strong performance in line with the growth strategy. This is demonstrated by revenue increasing from R1.8 billion to R4.1 billion and trading operating profit increasing from R222 million to R671 million over the last five years, a compound annual growth rate of 21% and 32% respectively, resulting in a marked change to the scale of the group.

Disappointingly, however, the recent fraud uncovered at the schools division head office negatively affected our reported results.

FRAUD AT THE SCHOOLS DIVISION HEAD OFFICE

The restructuring of the finance and administrative functions in the schools division led to the uncovering of incidents of fraud amounting to R48.1 million, perpetrated by a financial manager in the division over a three-year period starting in 2015. These activities resulted in an over-statement of revenue, an understatement of costs and the theft of cash. The cash component amounts to R5.0 million. In aggregate, the misstatements and cash loss amount to R48.1 million, resulting in a R35.5 million after tax impact on the reported figures for the periods as reflected below:

	12 months to 31 December 2015 R'm	12 months to 31 December 2016 R'm	6 months to 30 June 2017 R'm	6 months to 31 December 2017 R'm	**Total amount R'm**
Revenue overstated	–	(9.3)	(5.1)	(2.5)	(16.9)
Expenses understated (including the cash loss of R5.0 million)	(6.7)	(15.1)	(2.9)	(6.5)	(31.2)
Operating profit overstated	(6.7)	(24.4)	(8.0)	(9.0)	(48.1)
Taxation effect	1.9	6.6	2.0	2.1	12.6
Profit after taxation effect	**(4.8)**	**(17.8)**	**(6.0)**	**(6.9)**	**(35.5)**

Summarised consolidated statement of profit or loss from trading activities

for the year ended 31 December 2017

R'm	Percentage increase	31 December 2017	31 December 2016
Revenue	23%	4 096.2	3 343.8
Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA)	19%	826.5	692.7
Operating profit before interest	20%	671.2	560.2
Net finance costs paid		(99.1)	(87.2)
Interest received		3.9	12.6
Finance costs		(103.0)	(99.8)
Profit before taxation	21%	572.1	473.0
Taxation		(169.5)	(140.4)
Profit for the year	21%	402.6	332.6

The cash component of the fraud was embezzled through collusion between this financial manager and the external service provider. Approximately R2 million of these funds were secured by obtaining a court order to freeze the service provider's bank account and will be reclaimed following the completion of the necessary legal and administrative processes.

A thorough, comprehensive investigation was undertaken by a professional forensic auditing firm, Horwath Forensics SA, and the full extent of the fraud has been documented. Criminal charges were brought against the employee and the colluding external service provider. These charges are being vigorously pursued.

Management deeply regrets the occurrence of these events and their impact on all affected stakeholders. It does, however, underline the importance of the current restructuring initiatives aimed at enhancing the finance structures and improving the systems, controls and reporting processes in order to reduce this type of risk, in addition to improving operational efficiencies.

The correction of the fraud for the preceding two years as well as the current year was accounted for in the 2017 financial results.

The summarised consolidated statement of profit or loss presented above reflects the trading results by removing the effect of the fraud relating to 2015 and 2016 from the 2017 financial year. The 2016 trading profit was adjusted downwards to account for the overstatement caused by the fraud relating to that year and by excluding the benefit of the settlement of the long-standing litigation matter.

REVIEW OF GROUP TRADING RESULTS

Revenue growth of 23% to R4.1 billion (2016: R3.4 billion) resulted from growth in all divisions. While the schools division's organic growth was somewhat muted as enrolments at some of our premium brands were impacted by financial pressures on families and the effects of emigration and "semigration", revenue still increased by 15% to R1.9 billion due to the inclusion of several acquisitions. The tertiary division continued its trend of excellent growth, benefitting mainly from organic growth but also acquisitions, resulting in revenue increasing by 26% to R1.6 billion. Revenue in the resourcing division increased by 40% to R644 million as the division benefited from its strategy to enter alternative markets outside South Africa, where we have experienced significant growth, while the South African brands retained their market share in a stagnant economy.

The strong revenue growth enabled the group to increase trading operating profit by 20% to R671 million (2016: R560 million). Trading operating margins, however, narrowed marginally from 16.8% to 16.4% due to the decrease in the schools division's margins as they brought new capacity into use that has not yet been filled, partially offset by an improvement in the tertiary division's margins. The schools division's trading operating profit (adjusted for the fraud) increased by 3% from R321 million to R330 million. Despite the division's muted performance, we remain confident that our strategy is appropriate and, together with the plans in place, the division is expecting improved performance going forward. The tertiary division increased operating profit by 44% to R321 million and operating margins from 18% to 20% on the back of operational leverage from strong volume growth. The resourcing division improved operating profit by 59% to R32 million and improved operating margins from 4% to 5%. The division remains highly cash generative.

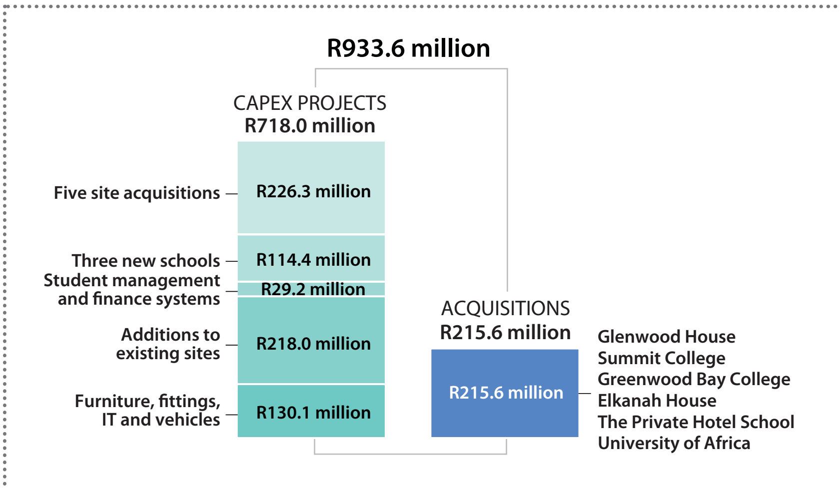
The higher average net borrowings, due to the acceleration in capital expenditure during the year, resulted in net finance costs increasing. Trading profit for the year increased by 21% while, due to a marginal increase in the weighted average number of shares in issue, the normalised earnings per share increased by 20% to 75.8 cents (2016: 63.3 cents).

INVESTMENTS

The group's commitment to achieving its strategic goal of ambitious yet considered growth led to an investment of R934 million in capital expenditure and acquisitions. The elements that constitute the major activities in the group's investment programme are summarised below.

Please refer to the CEO's report for more insight.

2017 TOTAL CAPEX AND ACQUISITIONS



FINANCIAL DIRECTOR'S REPORT continued

The main components of the capital expenditure programme were the acquisition of five sites for the future development of schools, the development of greenfield sites for The Bridge, Maragon Mooikloof and Crawford International in Kenya, the expansion of Copperleaf College and Founders Hill College and the fitting out of two Rosebank College Connected campuses in Bloemfontein and Pietermaritzburg and a new hospitality campus in Rosebank.

Through acquisitions and capital expenditure, the capacity of the schools division increased by 6% and we are now able to accommodate 33 000 students. Capacity on existing sites can be increased to accommodate a further 12 000 students while land banked sites will be developed to create capacity for an additional 10 000 students. Plans are in place to roll out the development of this capacity over approximately eight to ten years. In addition, the group continues to seek both greenfield and acquisition opportunities to expand or complement its offering.

For more information on our business model please refer to pages 8 and 9.

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 R449 million at year-end (2016: R333 million) with the increase compared to last year mainly due to increased fees received in advance and deposits. Trade receivables continue to be well managed while the increase in other receivables was primarily as a result of deposits on capital projects and VAT refunds due, which have been received subsequent to year-end.

Free operating cash flow before capex grew by 28% to R597 million and amounted to 162% cash conversion. Cash generated by operating activities increased by 23% to R859 million, and together with financing inflows of R313 million, enabled the payments of investments and capex of R934 million, financing costs of R99 million, taxation of R175 million and dividends of R186 million.

CAPITAL STRUCTURE TO SUPPORT THE ACCELERATED INVESTMENT PROGRAMME

Net borrowings have increased to R1.6 billion (2016: R1.1 billion) due to the funding required for capex and to settle the purchase consideration of acquisitions exceeding the net cash inflows from operating activities. The group remains well within its covenants at year-end, with net borrowings equating to approximately 2.0 times (2016: 1.5 times) EBITDA, while gearing increased to 56% (2016: 41%).

Schools capacity – end of February

	February 2015	February 2016	February 2017	**February 2018**
Students enrolled ('000)	22.9	24.2	26.7	27.4
Existing building capacity ('000)	26.9	28.6	31.2	33.0
Existing building capacity utilised (%)	85%	85%	86%	83%
Ultimate potential site capacity ('000)	34.3	37.0	41.5	45.2
Ultimate potential site capacity utilised (%)	67%	65%	64%	61%

The group's inherently strong organic cash flow, which is expected to increase in line with earnings growth, together with the ability to leverage the balance sheet further, positions the group well to fund its future investment programme and enables it to consider significant additional growth opportunities. In this regard, additional banking facilities are currently being put in place to fund the group's investment programme. We will remain prudent by keeping a balance between an appropriate level of gearing to leverage improved returns for shareholders while not overextending the group.

DIVIDENDS

The group has declared a final dividend of 19.0 cents (2016: 19.0 cents) per ordinary share in respect of the year ended 31 December 2017, which together with the interim dividend of 15.0 cents (2016: 13.5 cents) per share brings the total dividend for the year under review to 34.0 cents (2016: 32.5 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 2.2 times (2016: 1.9 times) relative to normalised earnings.

With the recent acceleration in the investment programme, which is expected to remain at elevated levels going forward, dividend cover is likely to be increased further in the years ahead as the group looks to preserve cash to fund this programme.

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.

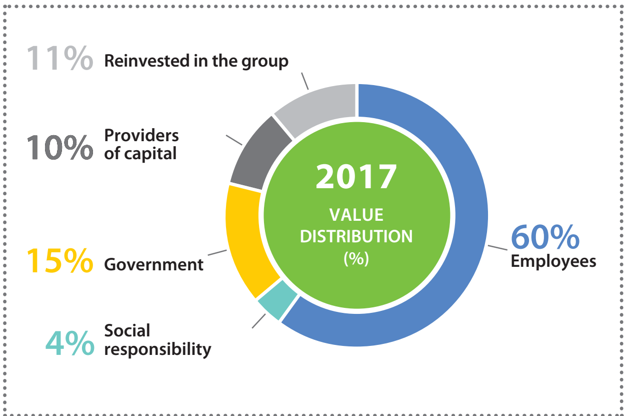
I would also like to thank the financial staff across all our divisions in the group for their commitment to accurate and relevant financial reporting. Your diligence and commitment is critical to our ability to provide high quality information that informs the decision-making of management, the board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

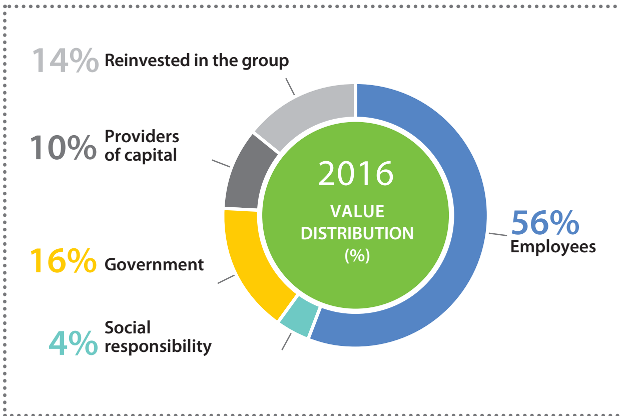
Didier Oesch
Group financial director

VALUE ADDED STATEMENT
for the year ended 31 December 2017

	2017 R'm	2016 R'm
Value added		
Revenue	4 086.9	3 353.1
Interest received	3.9	12.6
Cost of providing services	(995.5)	(774.7)
	3 095.3	2 591.0
Value distribution		
Employees		
Net benefits paid to employees	1 814.7	1 425.5
Social responsibility		
Corporate social investment and bursaries	127.9	112.4
Government	515.7	449.7
Government taxes	162.3	149.8
Net VAT paid	44.2	44.1
PAYE	309.2	255.8
Providers of capital	289.7	259.0
Finance costs	103.0	94.3
Distributions to shareholders	186.7	164.7
Reinvested in the group		
Retained to sustain and grow the group	347.3	344.4
	3 095.3	2 591.0

VALUE DISTRIBUTION





FOCUS ON STRATEGIC OBJECTIVE ACADEMIC EXCELLENCE: THE CORE OF OUR BUSINESS

ADvTECH remains Africa's leading private education provider. Academic excellence is core to our strategy and has enabled us to continue to grow our market share, notwithstanding the continued increase of new entrants into the market.

With the advantage of a strong central academic team that supports our learners, students, teachers and lecturers in differentiated brands that live out their own unique identities, we remain at the forefront of private education in the basic, higher and other tertiary education sectors.

Delivering on academic excellence is a critically important part of the group strategy, and the academic strategy is key to the schools and tertiary divisions.

CORE TO OUR STRATEGIES ARE:

> **EXCEPTIONAL TEACHING AND LEARNING.**

> **BENCHMARKING OUR PERFORMANCE** against others and relative to prior years of our own performance to ensure we are living out a continual improvement ethos and can provide evidence to support our claims to excellence.

> **LEARNING AND OTHER ANALYTICS** are used to support decision making.

> **INTERNATIONAL AND EMPLOYER RECOGNITION** which requires the ongoing building of our reputation and relationships.

Refer to our strategic objectives on pages 10 to 15 and in the CEO's report on page 18.

Our brands are known for their high standard of quality education provided to various target markets and communities. Offerings differ per brand based on, *inter alia*, price, curriculum, examining authority or qualification and augmented non-academic offerings that, together, create the individual identity of the brand and campus. Regardless of the brand or programme/qualification, ADvTECH consistently delivers academic excellence and a tailored student experience, which results in the development of life and tertiary study-ready young people and qualified and competent graduates who are in high demand in the workplace.

ACADEMIC EXCELLENCE WITHIN THE SCHOOLS DIVISION

The ADvTECH schools academic team's objective is to ensure that our students progress incrementally in a learning environment that is inspiring, engaging and challenging.

The academic focus is centred on four strategic quadrants: the formal curricula and performance in the related assessments; core skills as essential global competencies; digital literacy; and global citizenship as an organising value base.

Given the critical value of excelling in the demanding school-leaving examinations and to the future of each of our students in the schools, strong emphasis is placed on ensuring that students are well prepared. Ongoing individual student progress is supported by continual analysis of student performance data, which is used to promote a personalised learning pathway. Our consistently exemplary matric results, which inevitably include a notable number of distinctions, are clear indicators that we offer the highest standard in education.

1 CURRICULUM

The Department of Basic Education (DBE)
Curriculum Assessment Policy Statements (CAPS)
Independent Examinations Board (IEB)
Cambridge International (Cambridge)
Early Years Foundation Stage (EYFS)

+

2 CORE SKILLS

Thinking skills | Research skills | Communication skills | Social skills | Self management

+

3 DIGITAL LITERACY

Investigation | Creating | Communicating | Collaborating | Organising | Digital citizenship

+

4 GLOBAL CITIZENSHIP

Values | Attitudes | Behaviours | Embracing diversity | Taking action/Service

The second of the strategic quadrants is the core skills continuum aimed at ensuring that students in our schools develop global competencies. The five key areas are:

> Developing critical, creative and reflective thinking skills.
> Developing research skills and the ability to analyse and interpret information from primary and secondary sources.
> Developing strong communication skills that enable students to effectively share their opinions and collaborate with others using a variety of media and platforms.
> Developing strong interpersonal and social skills so that our students can collaborate effectively in diverse contexts.
> Developing self-management skills to empower students with organisational skills, including self-regulation, while developing a growth mindset to enable perseverance in the face of challenging and complex situations.

These core skills are not adjunct to the formal curriculum but are embedded in teaching and learning and all curricula and co-curricula activities in our schools. The central team supports the development of teacher competency through master classes, mentorship and networking, ensuring that the core skills are part of the school culture and mindset.

Digital literacy extends far beyond computer literacy in our digital world and is thus given particular attention. The structured and progressive curriculum includes computational thinking and programming, networking and productivity and global competencies such as creativity, collaboration and communication. The current primary school programme, *Digital Literacy in the Primary Classroom,* was developed by internationally acclaimed academic Dr Neelam Parmar, director of e-learning for the United Learning group of schools in the UK.

In addition, various schools have introduced GoLab, a hands-on 21st century technology space, which includes using and applying new age technologies such as 3D printing, laser cutting, electronics, robotics, programming and design software. GoLab provides a combination of practical learning environments addressing real-world issues, taught through collaborative problem-based learning using 21st century higher order thinking skills and approaches. More often than not the problems students seek to solve in the GoLab spaces are associated with the UN Sustainable Development Goals and the approach used in the GoLabs includes the use of all the core skills.

The fourth and final quadrant in the academic strategy promotes the development of our students as aware and contributing global citizens. The United Nations Sustainable Development Goals 2030 are referenced to provide a framework for engaging our students with global challenges such as hunger and environmental degradation as well as global opportunities such as gender equity and diversity. The aim is to nurture the values, behaviours and solution-seeking mindset in our students from a young age, so that we can encourage them to embrace innovation, creativity and the ability to articulate their perspectives and contributions. These skills draw on the formal curriculum as well as the core skills and digital literacy to support the development of globally competent individuals who will make meaningful contributions to society.

This integrated approach to excellence is what makes ADvTECH schools so effective in their education offerings. Our students leave our schools with the confidence to contribute to and find their place in 21st century learning and living.

On pages 42 to 43 we highlight how we manage these key stakeholder relationships. More information on the schools division can be found on pages 32 to 35.

SCHOOLS HIGHLIGHTS

We continually strive to improve and regard it essential to undertake international assessments such as the Schools International Assessment Test (SIAT) and those moderated by the 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, and receive continuous feedback on the success of our educational efforts in all our schools.

INTERNATIONAL RECOGNITION BY IVY LEAGUE SCHOOLS

More than ten of the world's top universities, including Harvard, MIT, New York University, Columbia, Cornell and Princeton, returned to Crawford College, Sandton, in 2017 to identify top matriculants to join their programmes in 2018. In recent years, the opportunity to study at these leading universities has seen several Crawford College students excel on the global stage.

TOURNAMENT OF MINDS

ADvTECH hosted the first Tournament of Minds (TOM) held in South Africa. TOM is an international competition, initiated in Australia and conducted in 16 different global regions. Where TOM differs from other international competitions is that the focus is not only on content and process in one discipline, but rather on problem solving and creative thinking activities involving open-ended challenges. These include experimentation and divergent thinking, while promoting collaboration within teams to develop potential solutions. The TOM finals were held at Summit College and included 13 schools with 32 teams and 240 students. The challenges are set internationally. Already, we have had several requests from other schools to participate in 2018.

INDEPENDENT SCHOOLS ASSOCIATION OF SOUTHERN AFRICA (ISASA)

ADvTECH Schools joined ISASA, the largest and longest standing association of independent schools in Southern Africa, in 2017. The organisation has more than 760 members in South Africa, Botswana, Swaziland, Namibia, Angola, Lesotho, Mozambique and Zambia.

FOCUS ON
STRATEGIC OBJECTIVE ACADEMIC EXCELLENCE:
THE CORE OF OUR BUSINESS
CONTINUED

TERTIARY DIVISION

ADvTECH's tertiary division continued to grow its reputation as the leading provider of high-quality private education in the country. In keeping with our commitment to academic excellence, substantial investment ensured that ADvTECH was able to grow its offering and that more students would be able to access courses, either at state-of-the-art campuses across South Africa, or through industry-leading distance education. Adding to the attractiveness of workplace-focused curricula, prospective students continued to be drawn by the advantage provided through smaller class sizes and resultant personal attention, which is no longer a feature of higher education in many other institutions.

THE IIE

With an average module pass rate of 82% and 99 higher education qualifications offered at Varsity College, Vega and Rosebank College campuses, the Independent Institute of Education (IIE), ADvTECH's higher education division, continued to cement its position as South Africa's leading private university. Our strategic decision to create one higher education provider operating through strongly differentiated brands pays off in the quality of the education offered to students.

The IIE's four faculties operate across 20 campuses with 99 accredited qualifications from higher certificate to masters' level, to more than 33 000 full qualification students. The IIE also offers numerous qualifications through distance and part-time learning. This range and scope means that there is a perfect educational opportunity for virtually every ambition. Over and above local accreditation through the statutory bodies, the IIE is also accredited by the British Accreditation Council (BAC) and has its offerings. Standards are also verified by several other professional and strategic partners.

The IIE's brands placed 2 363 students in their first jobs in 2017. This bears testament to the effectiveness of its approach to work readiness, which includes tailor-made preparation programmes and Career Centres on campus.

Read more on the GEP programme on page 39, in the tertiary division reports.

Last year, the BAC again accredited the IIE, which demonstrates to students and employees that the IIE's standards are indeed world-class and undoubtedly instils confidence in students about the credibility and value of their qualifications. The BAC is an independent authority in the UK that accredits private providers in the UK and elsewhere, including countries such as Greece, Switzerland, Singapore, India, Mauritius and the United Arab Emirates.

Refer to pages 36 and 37 for accreditation and endorsements per brand.

Although each brand has its own particular focus and emphasis, the IIE's success can be attributed to its unwavering commitment, on all campuses and in all programmes, to launching and building students' careers, by way of:

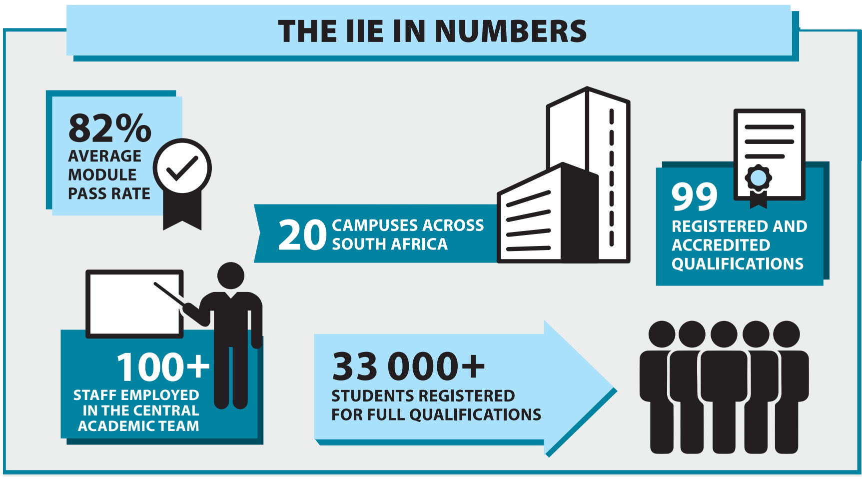
> innovative, student-centred teaching and learning, which includes comprehensive student support;

> industry-relevant curricula based on established industry and academic partnerships and verified through regular programme reviews and graduate tracking studies;

> learning opportunities that meet the diverse needs of our students; and

> structured programmes on all campuses linking students to the world of work.

Read more about our key stakeholder relationships on pages 42 and 43.



ABOUT
PRIVATE UNIVERSITIES

By law, private higher education institutions in South Africa may not call themselves private universities, even though registered private institutions are subject to the same regulations, accreditation requirements and oversight as public universities.

The IIE is able to achieve these successes because its model enables it to draw on the skills of all its people across 20 DHET registered sites nationally. This rich resource offers unmatched access to academic and industry leadership, resulting in curricula and campus experiences being deliberately set up to promote student success. The academic work is coordinated by our central academic team, which has enviable and extensive higher education experience and a track record of supporting their qualifications and brands.

There are more than 100 professionals in the central academic team, including academics, instructional designers, professional editors, content developers, programme managers, operations coordinators, business process analysts, business intelligence experts and research and curriculum development specialists. The result is a strong central capacity from which the expertise at the brands and on the campuses can leverage support for the creation of focused and meaningful campus experiences. In particular, for the achievement of the academic deliverables, the academic expertise at brand level is leveraged strongly to supplement the central skills and results in an effective and efficient network.

A measure of the success of this structure is that the IIE has the only DHET accredited and peer reviewed academic journal managed by a private higher education institution. *The Independent Journal of Teaching and Learning* is in its 12th year of publication with two editions annually, and is available on open access platforms.

NEW ACADEMIC MARKETS

Statistics have shown that the tourism sector remains one of the fastest-growing economic sectors and ADvTECH, through **Capsicum Culinary Studio** and **The Private Hotel School (TPHS)**, now has comprehensive academic offerings for those who aim to pursue careers in the hospitality and tourism industry.

The highly skilled teams of professionals at TPHS and Capsicum teach both nationally and internationally accredited courses, and its qualifications and graduates are sought-after in the workplace, both locally and abroad. With seven campuses between the two brands, one of which is a shared campus, both brands provide academic programmes, which include practical training and specialised skills that equip students to succeed in the hospitality and tourism sectors.

TPHS offers qualifications ranging from entry level chef qualifications to advanced diplomas in hospitality and events management as well as culinary arts. The curriculum combines innovative and cutting-edge hospitality instruction with sound practical training and knowledge of the industry. Students are trained to master professional skills and obtain high levels of the specialised knowledge needed to excel in the hospitality environment. Its qualifications are endorsed by the American Hospitality Academy International Hotel Management Schools (AHA-IHMS), thus allowing students to complete an optional year in the USA.

The school's alumni rate of employment is a remarkable 100%, which attests to the quality of education offered and workplace recognition thereof.

In the past decade, more than 4 000 chefs have graduated from Capsicum, with many snapped up by leading local and global restaurants. Capsicum offers five full-time and part-time City & Guilds recognised courses including Certificate in Food Preparation and Cooking, Diploma in Patisserie, Diploma in Food Preparation and Cooking and the Combination Programme in Culinary Arts.

Oxbridge Academy is one of the fastest-growing distance learning colleges in the country, and services more than 20 000 students annually. Oxbridge offers students opportunities to gain job-relevant skills and strengthen existing skills and experience with an appropriate qualification or skills course, backed by strong academic and student support from industry experts and tutors.

The University of Africa (UoA), based in Zambia, offers distance learning qualifications to a growing student base in Southern Africa, including in South Africa, Zambia, Zimbabwe, Angola, Uganda and the Democratic Republic of Congo. The university's pan-African PhD programme, *Leadership in Africa's Development*, is the first of its kind on the continent. The UoA has eight faculties offering 31 qualifications ranging from certificate to doctorate levels.

Refer to the CEO's report for more insight on pages 18 to 21.

FOCUS ON
STRATEGIC OBJECTIVE ACADEMIC EXCELLENCE:
THE CORE OF OUR BUSINESS
CONTINUED

ADvTECH tertiary's focus across all brands is on building student careers by continuously developing curricula to remain relevant in the world of work.
We build strong industry, academic and professional body partnerships that ensure this relevance, while our commitment to student success includes a focus on quality teaching and student support and development. We seek to produce graduates who can and will contribute to the economy and society and, as a result, we unquestionably hold the leadership position in private education.

ACCREDITED TERTIARY COURSES BY CATEGORY:

IIE 99
- 1 MASTER'S
- 11 HONOURS
- 27 DEGREES
- 34 DIPLOMAS
- 26 HIGHER CERTIFICATES

CAPSICUM 5
- 5 VOCATIONAL TRAINING COURSES

THE PRIVATE HOTEL SCHOOL 13
- 2 DIPLOMAS
- 2 HIGHER CERTIFICATES
- 9 VOCATIONAL TRAINING COURSES

OXBRIDGE 17
- 17 VOCATIONAL TRAINING COURSES

THE UNIVERSITY OF AFRICA 31
- 2 PHDs
- 9 MASTER'S
- 20 DEGREES

TOTAL

165 ACCREDITED TERTIARY COURSES

2 PhDs | 10 MASTERS | 11 HONOURS
47 DEGREES | 36 DIPLOMAS | 28 HIGHER CERTIFICATES
31 VOCATIONAL TRAINING

Refer to pages 36 and 37 for accreditation information.

To accommodate its diverse range of qualifications, from higher certificates to master's degrees, 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 to ensure that each area has the academic focus and leadership needed to underpin our quality offerings. In 2018, in response to the growth in the key areas of Law and Education, new faculties in these areas will emerge from the existing ones and the IIE will have six faculties by the end of 2018.

In keeping with its broader commitment to develop the reputation and standing, as well as the quality of the offering of private higher education in the country, the IIE is a founding member of SAPHE, an association of South African Private Higher Education institutions.

The graduate employability strategy of the IIE, as implemented on Rosebank College campuses throughout South Africa, was recognised as a top programme of its kind by the World Bank's IFC in a pilot review of similar programmes.

Please refer to our website www.advtech.co.za for more detail.

Oxbridge student and study support/facilitators call centre was expanded in 2017 in order to increase the level of support for students.

Refer to our key stakeholder relationship overview to understand the media engagements on pages 42 and 43.

TERTIARY HIGHLIGHTS

QUALIFICATIONS

NEW QUALIFICATIONS FIRST OFFERED IN 2017:

- BACHELOR OF COMPUTER AND INFORMATION SCIENCES IN APPLICATION DEVELOPMENT
- BACHELOR OF ARTS HONOURS IN COMMUNICATION
- BACHELOR OF COMMERCE HONOURS IN MANAGEMENT
- BACHELOR OF ACCOUNTING

NEW IIE COURSES DEVELOPED IN 2017, OFFERED IN 2018:

- BACHELOR OF ARTS HONOURS IN INTERIOR DESIGN
- BACHELOR OF LAWS
- BACHELOR OF BUSINESS ADMINISTRATION IN LOGISTICS AND SUPPLY CHAIN MANAGEMENT
- HIGHER CERTIFICATE IN LOGISTICS AND SUPPLY CHAIN MANAGEMENT

For 2017 industry awards and achievements, refer to the tertiary divisional report, pages 38 to 39.

VARSITY COLLEGE SAICA SCORES
83%
Five of the IIE's Varsity College graduates scored in the Top 20 in the 2017 South African Institute of Chartered Accountants' (SAICA) Certificate in the Theory of Accounting exams

VEGA STUDENTS WON
12
INTERNATIONAL ACCOLADES

165
ACCREDITED TERTIARY COURSES

LOOKING AHEAD

Distinguishing ADvTECH from its peers and new entrants into the education sector is our commitment to innovation through the development of new qualifications, our approach to teaching and learning and our unrivalled provision of student support and service.

A schools and tertiary administration software system, internally referred to as STASY, will for the first time in 2018 provide our schools with consolidated information and high-quality reporting and analytics to generate actionable insights. It provides portals for parents, students and teachers and will therefore change the way we interact and give feedback. It will be further supplemented with analytical tools and internal and external benchmarking. This new system will enable us to set up common learning management tools to drive best practice and online professional development programmes. The system will also enable us to improve data literacy of teachers and school managers, therefore enabling better data-driven decision making. This learner analytics system will be rolled out to the tertiary division in 2019.

For details on the operational benefits, refer to the CEO's report on pages 18 to 21.

We continue to make full use of IIELearn, the Learning Management System (LMS), which supports the teaching and learning strategy to reach more students in the distance mode and enhance the learning experience of our on-campus students. Effective online education strategies will be applied in the coming years to support our 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 Bridge, ADvTECH's new assisted learning school, opened in January 2018 and offers exciting alternatives for frustrated parents and students who are not currently adequately catered for in mainstream or special needs schools. Responding to a significant market demand, The Bridge represents a much-needed opportunity for children with average to above average ability, whose learning is impacted by challenges such as Attention Deficit Hyperactivity Disorder (ADHD), Attention Deficit Disorder (ADD) and mild autism or anxiety, or who have been through illness or trauma which has affected their progress.

The school assists learners to bridge the gap between where they currently find themselves and what is required in mainstream schools, in order to help each learner reach their full potential and develop strategies that will enable them to return to a mainstream classroom, confidently and empowered. With small classes capped at 12 pupils, an individualised learning approach and therapeutic programmes, The Bridge caters to learners who are cognitively on par or ahead of their peers to address whatever the challenge is that has kept them from succeeding in mainstream schools.

Refer to the schools division report on pages 32 to 35 for more detail.

FOCUS ON ACADEMIC EXCELLENCE

DIVISIONAL REVIEW: **SCHOOLS**

BRAND OVERVIEW

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 prompts students to examine and realise their own potential, ensuring every child is a masterpiece. **www.crawfordschools.co.za**	20	1993	Gauteng and KwaZulu-Natal	Independent Schools Association of Southern Africa Early Childhood Development Curriculum (ISASA ECDC) South African Curriculum Assessment Policy Statements (CAPS) Independent Examinations Board Subject Assessment Guidelines (IEB SAGS)
TRINITYHOUSE Pre-Primary • Preparatory • High	**Trinityhouse** is founded on Christian principles and traditional values and comprises 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 0000 to Grade 12. **www.trinityhouse.co.za**	13	1997	Gauteng and KwaZulu-Natal	ISASA ECDC CAPS IEB SAGS
ELKANAH HOUSE	**Elkanah House** strives to create a homely, diverse and challenging learning environment, which follows the teaching of Christ to empower students to develop to their full potential. School includes a pre-preparatory, preparatory and college from Grade 000 to Grade 12. **www.elkanahhouse.co.za**	5	1997	Western Cape	ISASA ECDC CAPS IEB SAGS
GLENWOOD HOUSE SCHOOL	**Glenwood House's** philosophy is to offer holistic mainstream education, which helps children develop all-round skills, catering for the body, mind, social and emotional development and well-being, and for the spiritual development of each and every child. The school includes a pre-preparatory, preparatory and college from Grade 000 to Grade 12. **www.glenwoodhouse.co.za**	3	2006	Western Cape	ISASA ECDC CAPS IEB SAGS
CENTURUS colleges	**Centurus Colleges** are 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 Grade 0000 to 12 in pre-preparatory, preparatory and high school, and also offers boarding. **www.centuruscolleges.co.za**	9	2005	Gauteng and North West	ISASA ECDC CAPS IEB SAGS
MARVEST: MARAGON	**Maragon Schools** combines excellence with a Christ-centred education while 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	ISASA ECDC CAPS IEB SAGS
MARVEST: Charterhouse School	**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 0000 to 7, to enable them to be the cause of their own success. **www.charterhouse.co.za**	2	1976	Gauteng	Cambridge International Primary
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 and up to Grade 1 at selected sites. A formal curriculum creates meaningful and happy early learning experiences in a safe environment and prepares students exceptionally well for their entry into formal education. **www.juniorcolleges.co.za**	7	1979	Gauteng	Structured Early Years Foundation Stage (EYFS) ISASA ECDC
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

BRAND OVERVIEW

ADvTECH Academies**

BRAND	DESCRIPTION	NO OF SCHOOLS*	EST	LOCATION	CURRICULUM
Founders Hill College	**Founders Hill College** provides a sound academic footing while preparing pupils for life beyond matric. This is achieved through a focus on the delivery of a purposeful academic programme and a strong extramural offering from Grade 0 to 9. **www.foundershillcollege.co.za**	3	2016	Gauteng	ISASA ECDC CAPS
Copperleaf College	**Copperleaf College** in Centurion provides a sound academic footing while preparing pupils for life beyond matric. This is achieved through a focus on the delivery of an excellent academic programme and a strong extramural offering from Grade 0 to 8. **www.copperleafcollege.co.za**	3	2017	Gauteng	ISASA ECDC CAPS IEB SAGS
Summit College	**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 from Grade 0000 to 12. **www.summitcollege.co.za**	3	1989	Gauteng	ISASA ECDC CAPS IEB SAGS
Greenwood Bay College	**Greenwood Bay College** is a secular school with a modern, forward-looking approach to education. With the focus on manners, integrity, trust and self-discipline, the school runs from a toddler class, through Grades 000 to Grade 12. **www.greenwoodbaycollege.co.za**	3	2016	Western Cape	Cambridge International
Kathstan College	**Kathstan College** offers a mainstream education in a supportive and inclusive environment and is 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	ISASA ECDC CAPS
The Bridge	**The Bridge Assisted Learning School** provides specialised education for Grade 0 to Grade 7 students that require learning intervention. Through small classes and individual attention, the school is able to instil not only the skills, but also the self-esteem that will allow students to take on their learning journey with confidence. **www.thebridgeschool.co.za**	2	2018	Gauteng	ISASA ECDC CAPS
Our brands in the rest of Africa					
Gaborone International School	**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 crèche and reception to standard 1 to 7, and secondary education from form 1 to 4. **www.gaboroneinternationalschool.co.bw**	3	1991	Botswana	ISASA ECDC Botswana National Syllabus (PSLE) Cambridge International General Certificate of Secondary Education (IGCSE)

* *Numbers as at 28 February 2018. Schools listed 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.

On pages 42 to 43 you can read more about our relationships with key stakeholders.
In our academic excellence feature we focus on the curriculum requirements, please refer to pages 26 to 27.

DIVISIONAL REVIEW: **SCHOOLS** continued

169 students were in the top **1%** of IEB results

An average of **1.6** distinctions per student

1 student obtained **11** distinctions

Crawford Schools averaged **2.4** distinctions per student

9 students achieved **9** distinctions

Glenwood House averaged **3** distinctions per student

26 students achieved **8** distinctions

99% Matric pass rate

41 students achieved **7** distinctions

84% Bachelor pass rate (qualifying for entrance into universities)

58 students achieved **6** distinctions

STRATEGY

As the leader in the premium private schooling sector, the division is renowned for its commitment to academic excellence.

This commitment is at the heart of the business, providing quality pre-primary, primary and secondary education that 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.

With the consistent increase in demand for education, there has been rapid growth in the private education sector. Consequently, we continue to develop opportunities for expansion in the premium sector and have 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 greenfields and acquisitions, to new product development.

For more information on how we consistently ensure academic excellence, refer to our feature on pages 26 to 31 which illustrates how we maintain our leading position as a private education provider in Africa.

PERFORMANCE HIGHLIGHTS

The schools division grew student numbers by 10% from 24 199 students at the end of February 2016, to 26 713 students at the end at February 2017. The division currently comprises 89 schools.

While the overall enrolments were in line with our expectations and the mid-fee schools performed well, the difficult economic climate and unsettled socio-political environment had an effect on enrolment numbers at the premium brands. We have seen a consistent rise in the number of families emigrating and re-locating within South Africa, and this trend had a particularly negative effect on enrolled numbers as we lose students in grades where it is often difficult to replace them. Together with an increase in withdrawals and exclusions as a result of financial pressures, these factors negatively affected overall student number growth for 2017.

Following recent developments on the political front, an improved sentiment in the country should translate to better actual circumstances. Although we do not foresee short-term relief, we are confident that we will see a return to higher levels of profitability as growth and restructuring efforts deliver results.

Refer to our operating environment on page 16 for more insight.

Several management changes were made in the schools division and our operational structures were reorganised to drive greater focus and efficiency. In addition, the implementation of a new schools administration system as a common platform across all schools will enable scale leverage, information consistency and online access of information for staff, students and parents, all of which will result in improved administration efficiencies.

GROWTH AND EXPANSION

The division's performance in the mid-fee segments has been outstanding. The ADvTECH Academies umbrella, which includes multiple community-based mid-fee schools, saw student numbers grow ahead of expectations. With new projects in the pipeline and acquisition opportunities, we expect to deliver further growth in this segment.

ADvTECH Academies' first greenfield development, Founders Hill College (which opened in 2016) and the second, Copperleaf College in Centurion, which opened in January 2017, performed beyond our expectation and expansion projects for both schools are under way for 2018. Building on the success of Maragon Olympus in Pretoria, we opened Maragon Mooikloof high school.

The strategic expansion to strengthen our position in the Western Cape included the acquisition of Glenwood House School in George, Greenwood Bay College in Plettenberg Bay and Elkanah House in Cape Town, adding approximately 2 500 students to the division. Our representation in this geographic region has grown to include 13 schools and more than 3 000 students.

Following the identification of a gap in the market, we developed and tailored a new niche offering. The Bridge Assisted Learning School opened its doors in January 2018, in Beverley in the northern suburbs of Johannesburg. Assisted learning provides specialised education for students from Grade 0 to Grade 7 who have a range of academic challenges that necessitate intervention. Through small classes and individual attention, the school is able to instil not only skills, but the self-esteem that will allow students to take on their learning journey with confidence.

Significant capex projects undertaken during the year included capacity expansions to facilities at Crawford Italia, Crawford Pretoria, Crawford Lonehill, Crawford International (Kenya), The Bridge, Founders Hill College, Copperleaf College and Maragon Mooikloof High School.

Taking one of our premium and progressive brands into the international arena, the Crawford International School in Nairobi is a milestone for the division. The brand is known and valued by US Ivy league universities such as Columbia, Harvard and Princeton, who regularly visit the schools as part of their recruitment process. Set to open in September 2018, the school will offer excellent facilities and an academic programme with an enriched holistic approach, differentiating us from most schools in the region. We believe that our fee and product strategy will allow for successful entry into the competitive Kenyan market and provide the springboard for future opportunities in the region.

LOOKING AHEAD

We will maintain our efforts to find creative, affordable and sustainable ways to offer quality education. With the first year of the shared services integration and restructure in place, together with our new administration system, we are well positioned to establish more efficient and cost effective solutions while providing additional customer-centric services.

Over the past few years, we focused on improving our pipeline of new sites and we anticipate several more greenfield developments in the mid-fee sector in 2019, to accommodate this growing demand.

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

Refer to pages 42 and 43 to understand how we engage with our key stakeholders.

DIVISIONAL REVIEW: **TERTIARY**

BRAND OVERVIEW

BRAND	DESCRIPTION	NO OF CAMPUSES*	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 21 DHET registered** 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 graduates are ready to step into the work environment. **www.rosebankcollege.co.za**	7	1948	Gauteng, Free State, 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. **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. The Design School of Southern Africa has been incorporated into the Vega offerings. **www.vegaschool.com**	4	1999	Gauteng, KwaZulu-Natal and Western Cape	
THE PRIVATE HOTEL SCHOOL	**The Private Hotel School** is a leading hotel, hospitality and culinary school based in Stellenbosch and Johannesburg. Their dynamic team guides students and creates a strong foundation for a successful career in the hospitality and tourism industries. The curriculum is taught through innovative academic methods and provides practical training and opportunities with respected industry partners. **www.privatehotelschool.co.za**	1	2006	Western Cape	DHET, QCTO, City & Guilds (UK), SACA and America Hospitality Academy – International Hotel Management School (AHA-IHMS) Federated Hospitality Association of Southern Africa (FEDHASA) Association of Private Providers of Education Training and Development (APPETD) Stellenbosch Tourism Serves on the Management board of EUROCHRIE, the official federation of Europe and Africa of the International Council for Tourism and Hospitality Educators

BRAND OVERVIEW

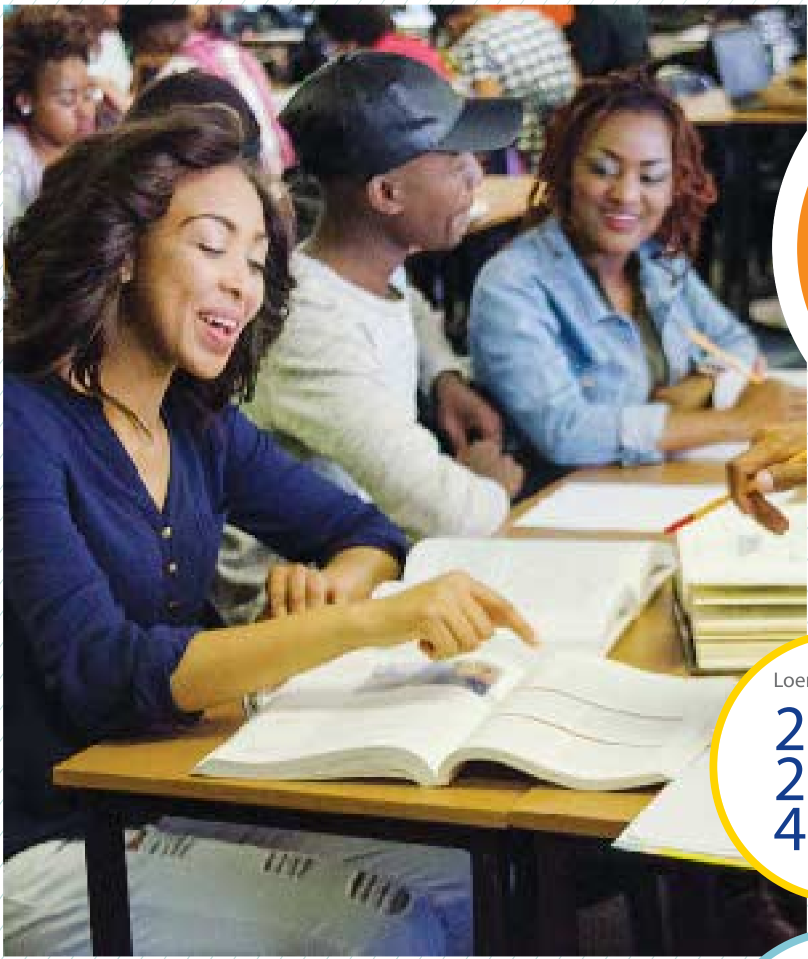
BRAND	DESCRIPTION	NO OF CAMPUSES*	EST	LOCATION	ACCREDITATION AND ENDORSEMENTS
Capsicum	**Capsicum Culinary Studio** is South Africa's largest chef school. The professional courses offered are internationally accredited and allow graduates entry into the global marketplace. Capsicum's purpose is to support students in developing the key skills, qualities and attitudes required for a successful career in the culinary arts industry. **www.capsicumcooking.com**	6	2003	Gauteng, Eastern Cape, KwaZulu-Natal and Western Cape	The Quality Council for Trades & Occupations (QCTO) Institute of Certified Bookkeepers (ICB) The City & Guilds Institute (UK) Swiss Education Group (SEG) World Association of Chefs' Societies (WACS) The South African Chefs Association (SACA)
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	DHET, QCTO, UMALUSI, select courses endorsed by IIE Institute of Certified Bookkeepers (ICB) Education, Training and Development Practices Sector Education and Training Authority (ETDP SETA) APPETD South African Institute of Occupational Health and Safety (SAIOSH)
Our brands in the rest of Africa					
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, its mission is to respond to the actual and realistic needs of students who want to empower themselves, their families and their communities. **www.universityofafrica.net**	1	2007	Zambia	The Zambian Ministry of Education, Science, Vocational training and Early Education

* *Number of campuses as at 28 February 2018.*
** *DHET Registration nr. 2007/HE07/002.*

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

The academic excellence feature on pages 26 to 31 focuses on the accreditation and qualifications in more detail.
Refer to our key stakeholder relationships on pages 42 and 43.

DIVISIONAL REVIEW: **TERTIARY** continued



ROSEBANK COLLEGE

voted the Coolest Campus in 2017 by the Sunday Times Generation Next youth survey

Vega SCHOOL DESIGN • BRAND • BUSINESS **ACCOLADES**

Loerie Awards:
2 gold
2 silver
4 bronze

International student and lecturer exchange
France, the Netherlands, Mauritius, Nigeria and Nepal

Promax Africa Future Award

4 Pendoring finalists

D&AD Awards* New Blood Pencil Winner

3 gold pack finalists

IAB Bookmark Black Pixel Award

Winner of the National Instagram Hack at the 2017 Loeries

* *Global Association for Creative Advertising & Design Awards.*

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. To ensure that many of our graduates find employment we have developed several support and development initiatives including our very successful Graduate Empowerment Programme (GEP).

Please read more about how we ensure academic excellence on pages 26 to 31.

PERFORMANCE HIGHLIGHTS

The tertiary division continued its recent success and has had another year of excellent organic growth. The division's brands have strong value propositions and are well positioned to effectively deliver a quality offering to their respective target markets. This, together with good operational structures and efficiencies, has created a platform for robust growth despite the tough economic environment.

Through the GEP, we offer structured career services, including coaching workshops for students and graduates, mentorship programmes and graduate placements while engaging and partnering with corporates – their prospective employers. The division has supported and matched graduates with the more than 700 prospective employers and businesses on our books, which include top companies such as Apple, Barloworld Logistics, Bidvest, Bytes Technology, Dimension Data, Discovery, FNB Wealth, Investec, Mr Price, Netcare, Standard Bank and Vodacom. Rosebank College alone has placed 4 030 of its students in jobs since 2016.

Varsity College remains our largest brand in the tertiary portfolio and with an unrelenting focus on the best teaching and learning practices, our students obtain excellent academic results and distinction rates. For the last six years, Varsity College students have achieved an 82% module pass rate average and an 83% pass rate in 2017 in the South African Institute of Chartered Accountants' (SAICA) ITC Certificate board exams, with five of the top 20 students being from Varsity College. The brand also offers students a balanced student life experience which includes a wide range of sports, cultural and social activities.

Vega School, an industry-renowned leader in creative design, brand and business education, was ranked as the top creative based educational institution in South Africa by the internationally recognised Loerie Awards. Vega students also received several other industry accolades showcasing the level of excellence inspired and nurtured at the brand.

Students and lecturers were recognised internationally through exchange programmes with global thought leading institutions. These include Fontys Academy for Creative Design in the Netherlands, Sup de Pub, a leading communications school in France, and Orange Academy based in Lagos, Nigeria.

For a quick overview please refer to our performance against objectives on pages 10 to 15.

Rosebank College launched the School of Education in 2018. The accredited IIE education degrees, offered for the first time through Rosebank College, were designed with the teacher's development in mind, and focus on equipping our graduates with the necessary skills and tools to become effective and student-centred educators.

The acquisition of University of Africa (UoA), which became effective in 2017, signifies the tertiary division's first step beyond SA's borders. It is in line with our strategic vision to expand into the rest of Africa.

The UoA offers distance education programmes 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.

To improve customer service to our students, a 24-hour service desk was introduced, enhanced and supported by new technologies. The result is a positive user experience, streamlined systems and reduced administrative costs.

Refer to our key stakeholder relationships on pages 42 to 43.

GROWTH AND EXPANSION

Organic growth has been the most significant driver of the division's excellent results, with acquisitions more focused on adding to the portfolios and entering growing sectors in the tertiary education space.

The blended learning model, implemented at the Rosebank College digital campus in Polokwane, proved to be successful with excellent academic results and an enhanced student learning experience. This success led to the opening of two new campuses, applying the same model, in Pietermaritzburg and Bloemfontein in 2018. The Rosebank College Durban campus moved to new facilities to increase capacity and simulate the mega-campus model in Johannesburg.

Statistics show that tourism remains one of the fastest-growing economic sectors, contributing about 4.5% to total employment in 2015/2016. We concluded the acquisition of a majority stake in The Private Hotel School (TPHS), a leading hotel, hospitality and culinary school offering 13 accredited programmes delivered from a well-established campus in Stellenbosch. TPHS, combined with Capsicum Culinary Studio, has established our presence in the hotel, hospitality and culinary education sector.

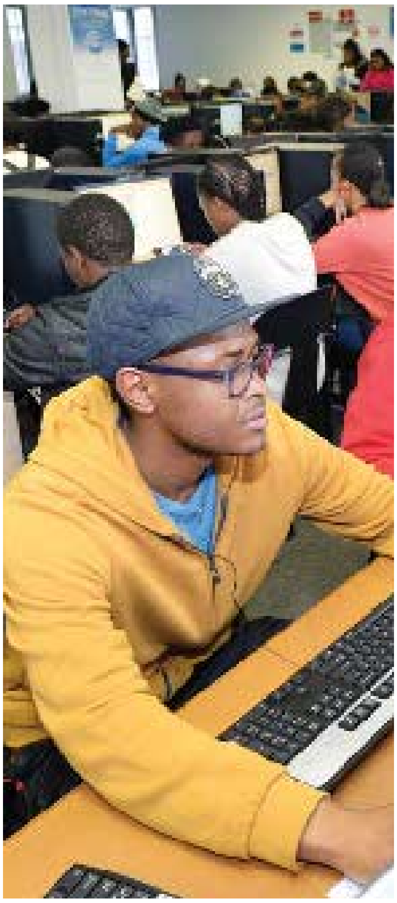
LOOKING AHEAD

Considering the 2017 organic growth in enrolment numbers and our expansion into other education sectors through acquisitions, we confidently predict further growth in 2018.

We continue to explore new geographies, delivery channels and product formats in order to identify further growth opportunities. Effective online education strategies will be applied in the coming years to support our expected growth in the distance education space.

A joint campus for The Private Hotel School and Capsicum opened in 2018 in the vibrant Rosebank area in Johannesburg, with the premises specifically selected due to Rosebank's positioning as a hospitality and tourism hub. The new facilities include lecture venues, leading edge training kitchens, a fully operational deli and conference facilities, all of which combine to ensure a superior learning experience for our students.

Refer to the CEO's report on pages 18 to 21 for more insight.



DIVISIONAL REVIEW: **RESOURCING**

BRAND OVERVIEW

BRAND	DESCRIPTION	NO OF SITES	EST	LOCATION	ASSOCIATIONS
	Network Recruitment comprises three specialist areas: Network engineering, Network finance and Network IT recruitment, and has over 30 years' experience in offering optimum permanent staffing solutions to clients and candidates in these industry sectors. **www.networkrecruitment.co.za**	3	1987	Gauteng	Association of Chartered Certified Accountants (ACCA) The Federation of African Professional Staffing Organisations (APSO) The Confederation of Associations in the Private Employment Sector (CAPES) The Chartered Institute of Management Accountants (CIMA) College of Chartered Accountants Information Technology Association (ITA) South African Institute of Professional Accountants (SAIPA) The Association for Operations Management of Southern Africa (SAPICS) SmartProcurement
	Communicate Recruitment is a specialist recruitment company with more than three decades of experience, connecting 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	
	Cassel & Company has a track record of service excellence that spans 28 years and offers premier permanent, temporary and contract staffing solutions in accounting and finance. **www.cassel.co.za**	1	1989	Gauteng	
	CA Financial Appointments has earned a reputation as the 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	
	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	
	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	
	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	

Our brands in the rest of Africa

BRAND	DESCRIPTION	NO OF SITES	EST	LOCATION	ASSOCIATIONS
	Africa HR Solutions offers payroll and compliance solutions across the African continent. Africa HR is based in Mauritius, with a network that has been expanded through years of hard work to cover various African countries. Africa HR offers local and expat outsourcing solutions. **www.africa-hr.com**	3	2015	Mauritius	Professional Employer Organisation (PEO)
	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, providing clients with the talent required for their business success. **www.caglobalint.com**	2	2007	Western Cape	

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

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.

We therefore 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 proven effective.

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. The resourcing brands all have distinct personalities, but they have one thing in common: commitment to providing the highest levels of service to their candidates and clients.

Resourcing services include an in-depth analysis of specific needs, personalised advice on market trends and available opportunities in a given market sector. Each client deals 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 further increased its LinkedIn recruiter subscriptions in 2017.

To ensure the 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.

Please read more about our relationship with key stakeholders on pages 42 and 43.

In the CEO's report on pages 18 to 21 please read more about our strategic objectives and our improved BB-BEE transaction.

For a quick overview please refer to our performance against objectives on pages 10 and 15.

PERFORMANCE HIGHLIGHTS

Results in the South African market remained flat, attributed to the uncertain socio-political environment which affected a volatile job market experiencing high unemployment rates.

Despite the challenging economic conditions, the division maintained similar volumes of candidate placements (permanent and temporary) to those of 2016, maintaining its position as market leader in temporary and permanent placements in South Africa.

To counter the effect of low economic activity in the domestic market, we continued to broaden our prospects and services in different market segments in the wider African market.

The division showed significant growth in the African market, taking advantage of a positive economic climate and recovery in the market, particularly in the mining industry. Most notably, Africa HR Solutions, which operates in the contracting space, saw an increased number of placements in various African countries.

The recruitment process outsourcing function, launched in 2016 through The Working Earth, saw some initial successes and business operations have been scaled up to enable further growth. Roll-out will be extended to other clients, including ADvTECH head office and tertiary division brands.

Improved efficiency and cost saving efforts saw the Brent Personnel and Inkokheli brands being successfully incorporated into the Cassel and The Working Earth brands, resulting in stronger operational structures and support systems.

We were 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 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.

LOOKING AHEAD

We will continue to seek opportunities to extend and strengthen our position across the African continent in both temporary and permanent placements, though we expect a continued tough market within the South African economy.

Finding innovative ways to streamline the recruitment process while upholding the high levels of professionalism in each of the niche sectors of specialisation is an ongoing objective.

For more insight please refer to the CEO's report on pages 18 to 21.

KEY STAKEHOLDER RELATIONSHIPS

Our stakeholders are those individuals, groups or organisations that are, or could be, impacted by the group's activities, products or services and also hold us accountable for our activities.

Stakeholders	Why they are important to us	Interests	Means of engagement
INVESTORS AND SHAREHOLDERS	ADvTECH and our shareholders and investors have a shared interest in the group's success. These stakeholders contribute fiscal support to the business and enable us to grow in South Africa and the rest of Africa.	> Growth prospects > Group performance > Management remuneration > Policies > Strategy > Sustainability > Compliance to JSE > Corporate governance	> Regular results presentations > Integrated annual report and interim financial results publications > The relationship with the JSE is managed by our sponsor, Bridge Capital, in accordance with the JSE Listings Requirements > SENS announcements through the JSE Limited > Media releases > Engagements and individual meetings with investors and analysts by the CEO and group FD > Investor site visits > Annual general meeting (AGM) > King IV compliance report, available at www.advtech.co.za
STUDENTS AND PARENTS	Current parents and students and those who would potentially join our institutions are vital to the business as they create the demand needed for us to remain sustainable.	> Quality offerings – academic, cultural and sport > Customer service > Policies > Qualified staff > Reputation	> Teachers, lecturers and students engage on a daily basis > Parent functions and meetings > Opening addresses by principals and key stakeholders > Continuous assessment and feedback on student progress > Student portal or Mosaic App for the Independent Institute of Education (IIE) registered students > Newsletters and magazines > In January 2018, the new Student Information System was developed and launched for the schools division, across the schools brands, enhancing the information and method of communication to stakeholders > Student support teams and school counsellors > WhatsApp groups and D6 Communicator > Call centres > Social media > Schools advocate an open door policy for students, parents and other stakeholders with many schools having an on-site counsellor available for assistance > At tertiary brands, an ethics hotline was launched and communicated on campus and via student portals to raise student awareness on how to report unethical behaviour > Extra support when required
ALUMNI	It is important to foster our relationships with alumni as their success is based on the quality of education provided. In turn, we use this as evidence of the impact of our teaching and learning methodologies.	> Career prospects > Networking > Further education > Development and continued success of their institution	> Increased work placement surveys > Electronic newsletters > Graduate and alumni surveys and feature stories including media releases to determine employment status and career success and achievements > Some brands have dedicated brand alumni websites and other social media platforms such as LinkedIn and Facebook pages to further enhance communication
RECRUITMENT CANDIDATES AND CLIENTS	Our customers, both clients and candidates, provide the mandate for us to operate in the recruitment market.	> Customer service > Quality applicants and vacancies > Pay scales	> Regular face-to-face consultations and interviews > Electronic newsletters > Salary survey reports > Media releases and using social media and video clips to share tips and information and facilitate the recruitment process for candidates and clients Refer to the resourcing division overview on pages 40 and 41.

Stakeholders	Why they are important to us	Interests	Means of engagement
EMPLOYEES/INDEPENDENT CONTRACTORS	**Every part of our business revolves around people. Therefore we pride ourselves in attracting and retaining top talent in the sectors in which we operate.** **Our employees are passionate and highly skilled. They have a commitment to quality and excellence and drive the execution of the ADvTECH strategy while maintaining company values.**	> Skills development and training > Competitive remuneration and benefits > Company growth, which brings about career prospects and challenging work/projects > Development programmes > Health, safety and wellness > Diverse work environment > Strategy > Sustainability > Recognition Refer to our performance on strategic objectives with regard to our Human Capital on pages 8 and 9 as well as pages 10 to 15.	> ADvNET, our group Intranet that was redesigned to increase functionality, reaches employees across all our brands and sites, allowing for interactive communication > With the introduction of shared services, we have a change agent network to facilitate the adoption of the resulting changes. Communication is effected by means of workshops, presentations, Skype meetings, newsletters, video clips and project update meetings > Internal newsletters at selected sites are being transformed into brand specific Intranet portals > Regular health and wellness programmes > Cultural events to celebrate employee diversity > Awards functions > Annual CEO roadshow for senior management > Surveys are conducted at brand level to measure internal and external employee satisfaction > During 2017, we conducted a cultural survey across the group. The results were positive and encouraging, indicating the significant progress made towards diversity and transformation > Health and safety representatives were appointed and trained at their respective sites, ensuring that our employees are well equipped to deal with emergency incidents > A fraud awareness campaign across the group highlighted issues that should be reported and the anonymous methods and platforms to be used
REGULATORY BODIES AND GOVERNMENT	**Regulatory bodies, associations and government enforce regulatory standards and guidelines for us to adhere to in our operating environment.**	> Regulatory compliance > Policy adherence Please read more about our academic excellence on pages 26 to 31. The brand overview pages 32 to 41 highlights our various accreditations and endorsements.	> Founding contributor of annual academic publication, *The Independent Journal of Teaching and Learning* > Representation on the Higher Education Quality Committee (HEQC) Board and Institutional Audit Committee of the Council of Higher Education (CHE) > Representation and participation at Department of Basic Education policy working committees, workshops and national forums > Founder and member of the South African Private Higher Education (SAPHE) > Member of the Association of Personnel Service Organisations (APSO) > Member of the Institute for Personnel Service Consultants (IPSC) > Member of the Confederation of Associations in the Private Employment Sector (CAPES)
COMMUNITY AND ENVIRONMENT	**Our brands form an integral part of and play an important role in their respective communities.**	> Community development through education support > Bursaries > Reputation > Input in community Please refer to pages 8 and 9, our business model, for an overview.	> Aligning with communities' needs > Plans were implemented to significantly reduce our water usage in the Western Cape > Environmental awareness education > Initiating or participating in various greening initiatives > Conservation and clean-up projects > We encourage and support voluntary testing and education to minimise the stigma around those living with HIV/Aids. Numerous voluntary counselling and testing initiatives took place during the year at our tertiary brands and for employees at head office > Most of our schools support disadvantaged schools in their communities through tutoring, academic and administrative support as well as various donations such as food parcels, clothes and school supplies > Initiating and partaking in various CSI projects and initiatives
MEDIA	**The media are important as they keep our stakeholders informed, which in turn has an effect on our business operations.**	> Group performance > Growth prospects > Plans > Policies > Reputation > Quality > Successes	> Regular results presentations > Integrated annual report and interim financial results > SENS announcements through the JSE Limited > Media releases > Annual general meeting (AGM) > Proactive educational media releases addressing relevant topics and the role of private education in South Africa, for example, addressing the fact that private higher education institutions are legally prohibited from calling themselves "Private Universities"

Refer to our operating environment on page 16 to better understand the topics and issues that would interest our stakeholders.

BOARD OF **DIRECTORS**

CHRISTOPHER BOULLE – *46*

Chairman, Independent non-executive director

Chairperson of the investment and nominations committees, member of the audit, remuneration and risk committees

BCom, LLB, LLM (WITS)

Strategic value contributions:
> Corporate governance
> Corporate and trust law
> Commercial, finance and tax law

ROY DOUGLAS – *60*

Executive director, Chief executive officer

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

BSocSci (Economics) UKZN, MBA (UCT)

Strategic value contributions:
> International commerce and management
> Strategy, marketing, business development and general management
> Mergers and acquisitions

JACQUELINE CHIMHANZI – *44 (Dr)*

Independent non-executive director

Member of the audit, nominations and risk committees

BSc (Hons), MBA, PhD (Cardiff)

Strategic value contributions:
> Strategy development and execution
> Marketing
> Business development

BRENDA GOURLEY – *74 (Professor)*

Independent non-executive director

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

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

Strategic value contributions:
> International higher education
> Higher education and open and distance learning
> Higher education management

JANE HOFMEYR – *68 (Dr)*

Independent non-executive director

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

PhD (WITS)

Strategic value contributions:
> Academia
> Education policy and development
> Public and private education

JONATHAN JANSEN – *61 (Professor)*

Independent non-executive director

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

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

Strategic value contributions:
> Transformation, race relations and diversity
> Global and international education
> Tertiary education

STAFFORD MASIE – *43*

Independent non-executive director

Member of the investment, nominations and risk committees

Strategic value contributions:
> Information technology
> Entrepreneur
> Innovation

DIDIER OESCH – *52*

Executive director, Group financial director

Member of the investment and risk committees

BCompt (Hons) UNISA, CA(SA)

Strategic value contributions:
> Financial management and commerce
> Mergers and acquisitions
> Corporate financing
> Corporate governance

KEITH WARBURTON – *59*

Independent non-executive director

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

BCom, CTA (UCT), CA(SA)

Strategic value contributions:
> Commerce and corporate management
> JSE Listed entities and corporate governance
> Investment management

SHIRLEY ZINN – *56 (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)

Strategic value contributions:
> HR management
> Transformation and leadership development
> Education

For detailed profiles of the board, visit ***www.advtech.co.za***

EXECUTIVE COMMITTEE

ROY DOUGLAS – *60*
Executive director, Chief executive officer

Joined ADvTECH in December 2012

DIDIER OESCH – *52*
Executive director, Group financial director

Joined ADvTECH in August 2005

MIKE AITKEN
Chief executive officer, schools division

BCom (Rhodes), CTA, BCompt (Hons) (UNISA), CA(SA)

Joined ADvTECH in March 2016

FELICITY COUGHLAN *(Dr)*
Group academic director

BSocSc (Social Work) Rhodes, BSocSc (Hons) (Social Work) Rhodes, BSocSc (Hons) (Psychology) Rhodes, MSc (Sociology) London, D Phil (UNISA)

Joined ADvTECH in August 2005

SIZA MAJOLA *(Dr)*
Group HR executive

BSc (Geology and GIS) Fort-Hare, BSc (Hons) (Stellenbosch), MBA (UK), PhD (UKZN)

Joined ADvTECH in August 2017

JACO LOTZ
International business development executive

BA (Theology) UP, BCom (Accounting) UP, BA (Hons) (Psychology) UP, BCompt (Hons) UP, CTA (UNISA) and CA(SA)

Joined ADvTECH in April 2007

LENN HONEY
Chief executive officer, resourcing division

BCom (Hons) (Business Administration) Rhodes, MBA (UK)

Joined ADvTECH in January 1996

VONGANI MBHOKOTA
Group properties executive

BSc (Quantity Surveying), MBA (Project Finance) UNISA, PrCPM

Joined ADvTECH in November 2016

STEVEN VAN ZYL
Chief information officer

BCom (Finance and Administration) UKZN

Joined ADvTECH in August 2006

DONNA DICKSON
Group company secretary/legal advisor

BCom (Law) UNISA, CIS Professional Postgraduate qualification in Company Secretarial and Governance practice (CSSA)

Joined ADvTECH in June 2017

CORPORATE GOVERNANCE

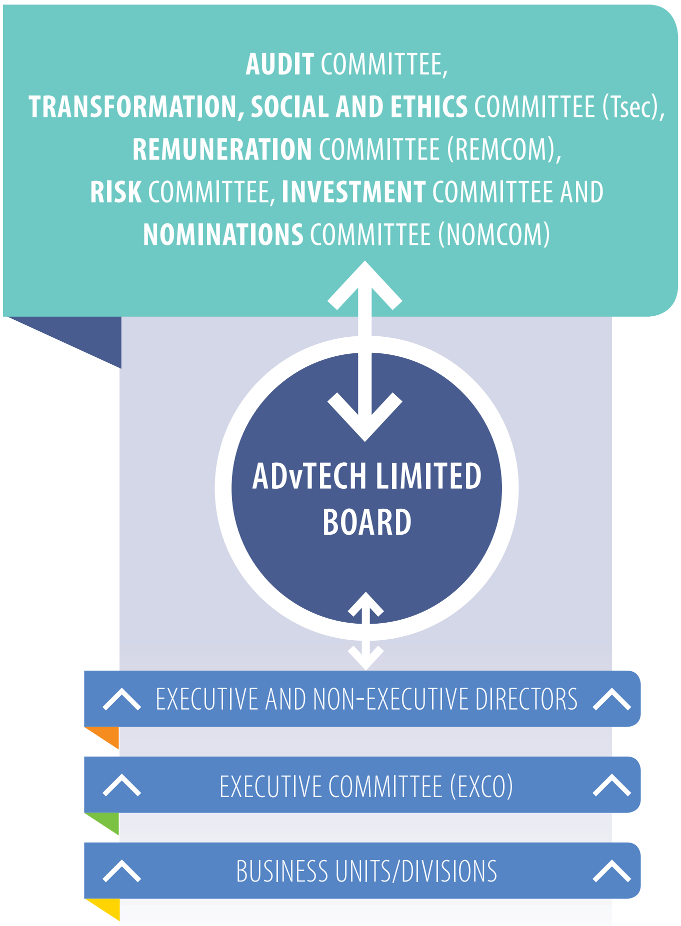
Effective corporate governance is the cornerstone upon which the management of the ADvTECH group is based.

The board acknowledges that it is responsible for ensuring that the principles of sound corporate governance are observed and incorporated into the leadership of the group. The directors, collectively and individually, acknowledge their responsibilities in terms of the South African Companies Act, No 71 of 2008 as amended (the Companies Act) and the JSE Listings Requirements.

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

GOVERNANCE STRUCTURE

The group has the following committees:



ADvTECH has a unitary board structure that oversees the management and control structure, which, in turn, 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.

THE BOARD OF DIRECTORS

Composition

ADvTECH's board comprises two executive directors, namely the group CEO and group FD and eight independent non-executive directors.

8

INDEPENDENT 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

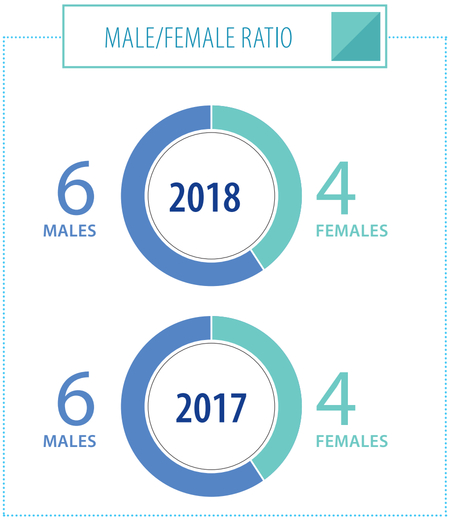
The board comprises an appropriate balance of knowledge, skills, experience, diversity and independence to fulfil its roles and responsibilities to stakeholders. The directors are drawn from different sectors and have a diverse range of experience in strategic and other relevant fields. There is a balance of power on the board and no one individual has unfettered powers to dominate the decision-making of the board.

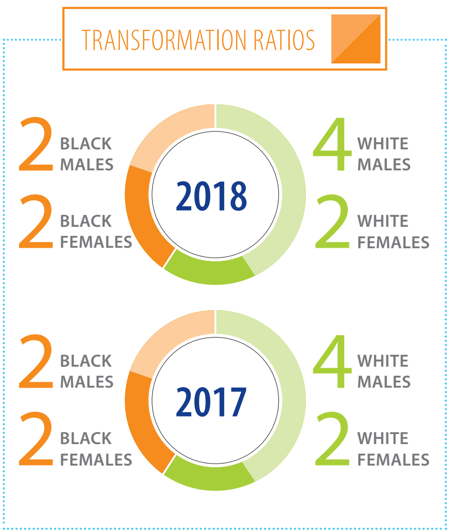
Details of the directors' strategic value contributions can be found on page 44, and at www.advtech.co.za.

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

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 continues to strive for diversity, particularly from a gender perspective, as this will promote different perspectives and problem-solving approaches.





Subject to the needs of the ADvTECH board, the board aims to achieve a 50/50 gender balance by the end of 2020. Tsec will monitor performance in relation to the above targets and will recommend any changes required to the board for approval.

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.

The board has appointed an independent non-executive director as its lead independent director who will lead in the absence of the chair and act as an intermediary between the chair and other members of the board if necessary. A succession plan is in place for the position of chairman.

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 circumstances as set out in King IV and the Companies Act.

A board evaluation was performed and 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 areas, as agreed at the beginning of each year, is assessed annually in accordance with the group's standard performance assessment processes. The board has not found it necessary to conduct formal assessments of the individual non-executive directors in the past, but will do so going forward.

In accordance with the principles of good governance, the board conducted an independence assessment of two long tenure non-executive directors, JD Jansen and BM Gourley, having served as independent non-executive directors for more than nine years. The board concluded that, in their view, JD Jansen and BM Gourley are still independent, since there is no interest, position, association or relationship which, when judged from the perspective of a reasonable and informed third party, is likely to influence unduly or cause bias in their decision-making. They both, in the board's opinion, have continued to exercise objective judgement.

The Private Hotel School, Stellenbosch campus

CORPORATE GOVERNANCE continued

Director tenure and committee membership

Director	King IV classification	Board tenure (years)	Audit committee	Risk committee	Remuneration committee	Tsec	Nominations committee	Investment committee
CH Boulle	Board chairman and independent non-executive director	5	**Member	Member	Member		Chair	Chair
RJ Douglas	Executive director – CEO	2.4		Member		Member		Member
BM Gourley	Independent non-executive director	9.8	Member	Chair		Member	Member	Member
JD Jansen	Independent non-executive director	13.5				Chair	Member	
SC Masie	Independent non-executive director	4		Member			Member	Member
JDR Oesch	Executive director – group financial director	12.5		Member				Member
KDM Warburton	Independent non-executive director	2.8	Chair	Member	Member		Member	Member
SA Zinn	Independent non-executive director	5.5			Chair	Member	Member	Member
JM Hofmeyr	Independent non-executive director	1.25		Member	Member	Member	Member	
JS Chimhanzi	Independent non-executive director	1.25	Member	Member			Member	

** As of the next AGM, CH Boulle will no longer be a member.

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 NomCom, 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 first annual general meeting (AGM) held after their appointment. 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

There have been no changes to the board of directors since the submission of the last annual report.

Annual rotation and election

One-third of all non-executive directors retire by rotation annually, and any director appointed by the board, either to fill a casual vacancy or as an addition to the board, is subject to election by the shareholders at the first AGM held after their initial appointment.

In accordance with the company's memorandum of incorporation and King IV, JD Jansen, SC Masie and SA Zinn will retire by rotation and will stand for re-election by shareholders at the next AGM.

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, as well as putting forward recommendations on the 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 Exco members attend board meetings when appropriate, in order to ensure that there is optimum alignment between the board and management in the 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.

Refer to page 45 for an overview of the Exco team or visit our website to view their CVs.

BOARD COMMITTEES

The board has delegated some of its roles to the committees to assist in the execution of its duties. The board has established a number of statutory and other committees to assist in fulfilling its duties and responsibilities more effectively. The delegation of authority to the board committees does not absolve them from their duties and responsibilities and ultimate accountability.

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 issues are brought to the attention of directors for deliberation.

Board and committee meetings

The board charter requires each director to regularly attend meetings of the board and its committees. The table below records meetings attended by each member of the board and its committees during the course of 2017:

Audit committee

As required by the Companies Act, shareholders elect 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, are set out the committee's functions and responsibilities.

The board recommends that the following directors be appointed to the audit committee at the AGM in May 2018, to hold office until the following AGM:

> KDM Warburton (chairman);
> BM Gourley; and
> JS Chimhanzi.

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 FD, as well as other board members and invitees as considered appropriate by the chairman of the audit committee.

A separate audit committee report can be found on pages 64 and 65.

Risk committee

The board is responsible for the governance of risk in accordance with the group's strategy. 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 areas of the committee during 2017 was the refinement of the risk policy, risk register and the identification of an appropriate risk appetite and risk tolerance threshold.

Director	Board		Audit committee		Risk committee		Remuneration committee		Tsec		Nominations committee		Investment 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
CH Boulle	5	5	3	3	3	3	5	5	1 (invitee)		2	2	5	5
RJ Douglas	5	5	3 (invitee)	3	3	3	5 (invitee)	5	5	5	2 (invitee)	2	5	5
BM Gourley	5	5	3	3	3	3			5	5	2	2	5	5
JD Jansen	5	5							5	5	1	2		
SC Masie	5	5			2	3			1 (invitee)		2	2		
JDR Oesch	5	5	3 (invitee)	3	3	3			1 (invitee)		2	2	5	5
KDM Warburton	5	5	3	3	3	3	5	5	1 (invitee)		2	2	5	5
SA Zinn	4	5					5	5	3	5	1	2	2	5
JM Hofmeyr	5	5			2	3			4	5	1	2		
JS Chimhanzi	4	5	2	3	3	3			1 (invitee)		1	2		

Attendance by directors and committee members were in person or by teleconference or other electronic means.

CORPORATE GOVERNANCE continued

Remuneration committee (RemCom)

The board has delegated oversight of remuneration to RemCom, in accordance with King IV, to ensure fair, transparent and responsible remuneration. All members of RemCom 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.

RemCom is responsible for reviewing succession plans for the board and its committees to promote the short-, medium- and long-term strategic objectives of the group. There is currently a succession plan in place for the chairman of the board.

RemCom's composition can be found on page 52.

Transformation, social and ethics committee (Tsec)

Tsec is a statutory committee of the board appointed in terms of Section 72(4) of the Companies Act. 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. The committee, in terms of its mandate, is responsible for the oversight of and reporting on the group's ethics, responsible corporate citizenship, sustainable development, stakeholder relations and transformation. The committee takes into consideration the needs, interests and expectations of all material stakeholders in the best interest of the company.

A separate report from the transformation, social and ethics committee is included on pages 56 to 57.

Nominations committee (NomCom)

NomCom 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 its terms of reference.

Investment committee

Members of the investment committee comprise a mix of independent non-executive directors, the CEO and the group FD. The majority of members are independent non-executive directors.

The committee was established 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 Exco;

> 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

> to assist in the acquisition strategy of the group.

COMPANY SECRETARY

The directors have access to the professional advice and services of the company secretary, DM Dickson, who was appointed on 22 June 2017 and whose appointment is in accordance with the Companies Act. The company secretary provides guidance and advice to the board on matters of ethics and good corporate governance and ensures compliance with statutory requirements.

The board is satisfied that the company secretary has the necessary qualifications, skill and level of competence necessary to effectively discharge her responsibilities and is considered to be a fit and proper person. An arm's length relationship exists 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.

COMPLIANCE GOVERNANCE

The board oversees compliance with the universal regulatory framework in accordance with good governance. The audit committee is responsible for monitoring, assessing and reporting on any new developments within the regulatory framework and reporting on any significant changes to the board. A compliance framework is in the process of being adopted and approved by the board.

The group endeavours to stay abreast of all intended or promulgated legislation. The following regulations continued to have a significant impact on the group:

> Companies Act;

> JSE Listings Requirements;

> Employment Equity Act;

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

> The South African Schools Act;

> The National Credit Act;

> The Consumer Protection Act;

> Value-added Tax;

> Income Tax Act;

> Higher Education Act; and

> General and Further Education and Training Quality Assurance Act.

The following areas continue to be key focus areas in 2018:

> Protection of Personal Information Act (POPI);

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

> Value-added Tax;

> Income Tax Act;

> King IV Report on Corporate Governance in South Africa;

> Employment Equity Act;

> Higher Education Act;

> Umalusi Policy and Criteria, upon publication of the final version, under the General and Further Education and Training Quality Assurance Act; and

> Other applicable foreign legislation.

There were no material or repeated regulatory penalties, sanctions or fines for contraventions of statutory obligations in the 2017 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

JS Chimhanzi has been awarded CrawfordSchools™ bursaries for her child in terms of the group's bursary policy.

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 M Aitken, as prescribed officers in terms of the Companies Act. They are also members of Exco.

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

Exco

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

ETHICS

The board is responsible for and plays an important role in the establishment and maintenance of an ethical corporate culture within the group and its stakeholders. Integrity is fundamental to how the group conducts its business and is expressed in its values. The group's values are communicated to all employees during induction and emphasised regularly. Tsec oversees the group's adherence to these ethical standards. Group employees 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 pages 56 to 57 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 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 are 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 the overall architecture of the systems, while operations identify and manage technology for their respective 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 of dealing with the identified strategic risks 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 priority focus areas 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 Report on Corporate Governance and is in the process of complying with the principles contained in the King IV Code on Corporate Governance.

A register in terms of King IV, indicating ongoing compliance, is available on the company 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 employee value proposition 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:

SA Zinn (chair);

CH Boulle;

JM Hofmeyr; and

KDM Warburton

RemCom meets as and when required and, during the year under review, the committee met five times.

Meeting attendance is set out in the corporate governance report on page 49.

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 periodically 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.

Overall, the committee is satisfied that the group's remuneration policy has achieved its objectives for the year under review.

REMUNERATION REPORT

Conditions of employment are reviewed from time to time against best practice and, where necessary, improvements to conditions of employment are implemented with due regard to the cost implications and their impact on 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 non-binding remuneration vote on the remuneration policy was referred to shareholders for approval at the annual general meeting (AGM) held on 31 May 2017. Shareholders approved the group's remuneration policy with a non-binding advisory vote of 89.72%. In event that either the remuneration policy or the implementation report, or both, are voted against by 25% or more of the votes exercised, the board will send out an invitation to engage with dissenting shareholders in this regard.

Read more about stakeholder relationships on pages 42 and 43.

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. Performance remuneration and salary increases are based on review of the market data at the time; consideration of individual performance and overall brand and group performance.

The group has disclosed the remuneration of its prescribed officers.

They are the three highest paid employees and are not directors of the group.

Disclosure of the remuneration of the prescribed officers is contained on page 53.

INCENTIVE REMUNERATION PRINCIPLES

In implementing the remuneration policy at executive management level:

> management continues to work towards their stretch target (set in 2015) of achieving normalised earnings per share (NEPS) of 100 cents by 2018, which forms the basis of 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 the stretch target;

> having regard to the target of 100 cents set by management, the board formulated a scheme for payments of executive bonuses on the achievement of a stretched target of NEPS of 102 cents by 2018. Predetermined criteria and annual steps towards this 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 sliding scale bonus opportunities 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 2017 financial year, executive bonuses, accrued at year-end but paid after year-end, amounted to 8% (2016: 74%) of the bonus opportunity;

> *Ex gratia* payments may be considered by the RemCom.

Notes 16 and 17 to 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 2017 were based on the third step in the 2018 targets.

		CEO	Group FD	Education divisional CEO	Resourcing divisional CEO	Executive functional heads
Group NEPS 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

LONG-TERM INCENTIVE BONUS SCHEME

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 NEPS achieved by the group in the final year. This scheme comes to an end in 2019. This scheme applies to employees in management that are not participants of either the share option or share award schemes.

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/Management Share Incentive Scheme (MSI) or the long-term incentive bonus scheme.

No new awards are being made under the ADvTECH Limited share incentive scheme and the long term incentive bonus scheme.

Refer to pages 8 and 9 for more information on how we manage our people, culture and human capital as well the performance on our strategic objectives on pages 10 to 15.

EXECUTIVE MANAGEMENT

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

SHARE INCENTIVE SCHEME

The MSI scheme which was approved at the AGM held on 31 May 2017, replaced the existing Share Incentive Scheme 2010 ("old scheme") that has been in operation since 18 May 2010.

The MSI has been designed to:

> promote good performance in relation to predetermined performance objectives;

> retain valuable skills and experience; and

> better align executive management with shareholders.

The MSI has the following objectives:

> drive the longer-term strategic and sustainable performance of ADvTECH;

> motivate participants to achieve the strategic objectives, thereby aligning shareholder and management interests;

> reward management for their contribution to the delivery upon the long-term strategic objectives;

> attract future key talent in a competitive market with market-related variable earnings;

> retain key talent to ensure sustainable performance of ADvTECH;

> facilitate succession planning; and

> alignment with current market practice and the King Code on Corporate Governance for South Africa

RemCom has absolute discretion in the interpretation and application of the following rules to the MSI:

> the allocation between performance and retention shares;

> performance measures, weightings and targets;

> vesting period and basis of vesting in relation to any new awards made;

> the level of awards based on market benchmarks; and

> classification of termination (bad leaver or good leaver) on a case by case basis.

The MSI makes use of Forfeitable Shares. The Forfeitable Shares are in the form of performance shares and retention shares. Annual awards of both performance and retention shares are made to eligible participants. Performance shares are awarded against strictly monitored targets, which, if not met, result in the forfeiture of the shares. An individual will only be considered for an award if they have attained a threshold individual performance rating in their most recent performance review. The shares automatically vest in full after three years, provided the individual is in employment on the vesting date, and provided a minimum individual performance rating has been achieved over the three year period.

The first awards (a total of 1 781 289 shares) were made on 28 September 2017, with the first vesting of shares to be in 2020. Unvested shares carry dividend rights and voting rights. In order to be eligible to receive an award of Forfeitable Shares under the new MSI, participants were required to relinquish their

Maragon Avianto, Muldersdrift

rights under the old scheme and all rights to vesting of the old scheme from 2020 onwards were forfeited. In order to qualify to be eligible for the MSI, an employee needs a minimum rating of "better than meets objectives".

The split in shares under the first award favours performance-based targets over retention-based awards, with weightings being 75% performance and 25% retention for executives, and 60% performance and 40% retention for other participants.

PERFORMANCE TARGETS

TARGET 1 75%	TARGET 2 25%
NEPS	**Return on Funds Employed (ROFE)***
Compound annual growth rate (CAGR) of a minimum of 160% of the average CPI for the performance period with the maximum shares awarded at a CAGR of 247% of the average CPI.	Minimum target of 135% of the Weighted Average Cost of Capital (WACC)** with the maximum shares awarded at 165% of WACC.

Shares are awarded proportionately between the minimum and maximum targets.

DIRECTORS

The fees payable to non-executive directors were approved by special resolution of the shareholders at the AGM held on 31 May 2017, as required by the Companies Act. The proposed fees for non-executive directors for 2018 will be placed before shareholders at the AGM on 31 May 2018 for approval. The remuneration committee makes recommendations 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.

Disclosure of director's emoluments is contained on page 69 of the annual financial statements.

On behalf of remuneration committee

Professor SA Zinn
Chair: remuneration committee
15 March 2018

* *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.*
** *The average WACC that is applicable during the relevant performance period.*

TRANSFORMATION, SOCIAL AND ETHICS COMMITTEE REPORT

The transformation, social and ethics committee (Tsec) assists the board in monitoring the group's performance against its social, ethical and transformational objectives and in ensuring the organisation is a good corporate citizen.

ADvTECH supports the principles of good corporate governance and adheres to the principles of ethical leadership, corporate citizenship, stakeholder inclusivity and sustainable development. The board has delegated its role of monitoring and reporting on social, ethical, transformational and sustainable practices to Tsec, which in turn is required to draw matters within its mandate to the attention of the board at each of its scheduled meetings.

ADvTECH aims to build and grow a high-quality organisation in education, training and placement that is widely recognised for its passionate commitment and success in enriching people's lives and future. This is entrenched through our values of ethical conduct, people-centredness, high-quality education, sustainability, responsible leadership and respect.

This report has been prepared in accordance with the requirements of the 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 during the year under review.

COMMITTEE MEMBERS

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

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

The divisional CEOs of the operating divisions attend all meetings, as does the HR executive and other members of management, at the request of the committee. Members' attendance at the meetings is contained 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 five times.

The committee operates in terms of a formal mandate that sets out its terms of reference, composition, roles, responsibilities and statutory duties in terms of section 72 and regulation 43 of the Companies Act. 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, ethical, transformational and sustainability issues including but not limited to:

> monitoring the group's compliance with applicable legislation, including the Companies Act;

> King IV, the United Global Compact principles and the Organisation for Economic Co-operation and Development (OECD) recommendations;

> monitoring and assessing progress in the group measured against annually approved targets for transformation signed off by the Department of Labour and informed by the Employment Equity Act and Broad-Based Black Economic Empowerment (BBBEE) Act and Labour Relations Act;

> monitoring corporate social investment (CSI) undertaken by the group within the operating divisions and at a corporate level;

> monitoring the group's compliance with health and safety regulations and the environmental aspects of the business, including the promotion of equality, the prevention and combatting of corruption, and compliance with public relations and consumer protection laws; and

> monitoring and developing stakeholder relations.

Read more about our key stakeholder relationships on pages 42 and 43.

In particular, during 2017:

> the committee received reports on all CSI undertaken by the group, at the corporate level and in the operating divisions;

Read more about our CSI activities on page 9 or on our website, www.advtech.co.za.

> 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 HR executive provided a report at each meeting on labour and empowerment-related matters;

> the group was recognised as a Top Employer (with an improved overall score);

Refer to our strategic objectives on pages 10 to 15 for more information.

> the provisions of the revised BBBEE Codes of Good Practice were considered, as well as their implications for the group;

> the group's BBBEE ratings during the year were presented to and considered by the committee; and

> a culture survey audit was undertaken, which focused on ethical culture, transformation and diversity and is now being used to inform the committee on gaps that need to be addressed in fulfilling their mandate.

Refer to our strategic objectives on pages 10 to 15 and the CEO's report on pages 18 to 21 for more information.

ETHICS

The board adheres to the principles of ethical leadership, an ethical culture, responsible corporate citizenship and inclusive stakeholder relations. The directors, individually and collectively, continue to cultivate the highest levels of integrity, competence, responsibility, fairness, transparency and accountability in executing their functions. Compliance with ethical standards of behaviour is of primary importance to the group and is expressed in the group's values. These values are fundamental to the way in which the group conducts its business and permeates its approach to all activities. The values are reviewed regularly to ensure that they remain current and relevant.

The board accepts responsibility for ensuring that the group's values are promoted throughout the group, and Tsec oversees adherence to them.

Refer to the FD's report on pages 22 to 24 for more detail and actions taken relating to the fraud incident at schools division.

The values are communicated to all employees during their induction and emphasised regularly. Employees are required to comply with both the letter and the spirit of the law, observe group policies, and act with integrity.

Refer to the group values on page 6 and the key stakeholder relationship activities on pages 42 to 43.

EMPLOYMENT EQUITY

All employees are encouraged to develop to their full potential, both for their own benefit and for that of the group. 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-established mentorship programme. We continued to focus on black management participation in the management and leadership development programmes with a large number of participants annually.

Read more about our employment equity committee. Refer to page 14 or our website www.advtech.co.za for further information on these programmes.

Tsec remains focused on effecting changes in the hearts and minds of employees, educators and students to bring about the necessary social transformation within the organisation.

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
15 March 2018

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Southdowns College, Irene

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 60 to 63.

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. Other than the reported fraud as shown in note 10, 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 2017 was supervised by JDR Oesch CA(SA), the group's financial director.

The annual financial statements set out on pages 64 to 117 were approved by the board of directors on 16 March 2018 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.

DM Dickson
Group company secretary

16 March 2018

INDEPENDENT AUDITOR'S REPORT

to the shareholders of ADvTECH Limited

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of ADvTECH Limited and its subsidiaries ("the group") set out on pages 71 to 117, which comprise the statements of financial position as at 31 December 2017, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and the notes to the 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 2017 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 and separate 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. There were no key audit matters identified for the separate financial statements.

Key audit matter	**How the matter was addressed in the audit**
Valuation of goodwill and indefinite useful life intangible assets	
Goodwill and indefinite useful life intangible assets comprise 26% (2016: 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 by comparing the carrying amount of these assets to their recoverable amount. The recoverable amount is based on value in use which is calculated using discounted cash flow models, as disclosed in note 14 of the financial statements. There are a number of key sensitive judgements made by the directors in determining the inputs into these models which included: • Revenue growth rates; • Operating margins; and • Discount rates applied to the projected cash flows. Accordingly, the valuation of goodwill and indefinite useful life intangible 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: • Design and implementation testing of key controls; • 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 units 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; and • 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 and indefinite useful life intangible assets disclosures to be appropriate.

Key audit matter	How the matter was addressed in the audit
Valuation of allowance for doubtful debts	
The group reflected R381 million (2016: R317 million) worth of receivables as at 31 December 2017 as disclosed in note 21 to the financial statements against which an allowance for doubtful debts of R173 million (2016: R136 million) has been recognised. Where there is objective evidence of impairment, the group is required by accounting standards 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 by the directors. 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 and estimates included: • Design and implementation testing of key controls; • Comparison of historical projected cash inflows to actual inflows to assess the accuracy and reasonableness 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; and • 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 judgements applied and the assumptions used by the directors to be appropriate based on historical performance, anticipated future outlook and current circumstances. We considered 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 R521 million (2016: R245 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 the directors to apply judgement in considering the nature of costs incurred to ensure that capitalisation of property, plant and equipment meets the recognition criteria in terms of 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, which we obtained prior to the date of this auditor's report. The other information does not include the consolidated 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 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 and company'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 and/or company 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 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 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 and the company'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 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 16 years.

Deloitte & Touche

Deloitte & Touche
Registered Auditor
Per: H Loonat
Partner

17 March 2018

National Executive: *LL Bam **Chief Executive Officer**; *TMM Jordan **Deputy Chief Executive Officer**; **Clients & Industries**; *MJ Jarvis **Chief Operating Officer**; *AF Mackie **Audit & Assurance**; *N Sing **Risk Advisory**; *NB Kader **Africa Tax & Legal**; TP Pillay **Consulting**; S Gwala **BPS;** *JK Mazzocco **Talent & Transformation**; MG Dicks **Risk Independence & Legal**; *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 1 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 appointed in terms of Section 94(7) of the Companies Act, 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 members of the audit committee have the necessary financial literacy, skills and experience as a whole to effectively execute their duties.

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 31 May 2018 to hold office until the following AGM:

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

CH Boulle, chairman of the board, is a member of the audit committee but will step down at the next AGM in accordance with the recommendation of King IV. CH Boulle's skills and experience as a commercial attorney have proven invaluable to the audit committee and he will attend meetings from time to time, by invitation from the chairman of the 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.

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 effectiveness of the internal and external assurance providers, information technology (IT), compliance and finance functions. 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.

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 by management to address control deficiencies and improve systems where opportunities are identified.

The internal control and risk management process is ongoing and is effective until the date of approval of the annual financial statements.

Integrated annual report 2017

The committee has evaluated the integrated annual report for the year ended 31 December 2017 and is satisfied that it complies in all material respects with the requirements of the Companies Act, the IIRC's International (IR) Framework, King IV, IFRS and the JSE Listings Requirements.

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 chair of the audit committee and on an administrative basis to the group FD 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 to the board and the audit committee. Other than the fraudulent activity announced late in the financial year, no matters have come to the attention of the audit committee and/or internal audit which may have a material impact on the annual financial statements.

Accounting and auditing

The directors are responsible for ensuring that the group 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.

Overall, the audit committee is satisfied with the independence of Deloitte & Touche, the quality of the audit process and the extent of the non-audit services provided.

Finance function

The audit committee has considered and is satisfied with the continued appropriateness of the expertise and experience of the group FD, 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 press announcements) 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 2018 financial year at the AGM, with H Loonat as the designated auditor;
- reviewed the external auditor's audit report and key audit matters included;
- determined the fees to be paid to the external auditors and their terms of engagement;
- concluded that, together with mandated partner rotation and policies and procedures in force mitigate the risk of familiarity between the external auditor and management;
- 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, potential violations of the law and questionable accounting or auditing matters.

On behalf of the audit committee

KDM Warburton
Chairman: Audit committee

15 March 2018

DIRECTORS' REPORT

for the year ended 31 December 2017

Your directors have pleasure in presenting their report on the activities of the group and company for the year ended 31 December 2017.

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 via face-to-face and distance learning. 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 2017 are set out herein.

Stated capital

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

Number of shares in issue at 31 December 2016	544 368 530
Number of shares in issue at 31 December 2017	544 368 530

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 (2016: 19.0 cents) per ordinary share in respect of the year ended 31 December 2017. This brings the full year dividend to 34.0 cents (2016: 32.5 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 R103.4 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 2017 or the financial position at that date.

Compliance with King IV

The ADvTECH group is committed to the principles of effective corporate governance and adheres to the principles of King IV. A detailed analysis of the group's compliance to the 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 31 May 2017:

- non-executive directors' fees;
- authority to make loans or give financial assistance to subsidiaries and related or inter-related companies;
- general authority to acquire the company's own shares;
- approval of ADvTECH management share incentive plan (MSI);
- to phase out and replace the existing share incentive scheme 2010;
- allocation of unallocated, relinquished and lapsed option shares for utilisation under the MSI;
- amendment of the trust deed of the trust in order to allow the trust to utilise/sell/transfer (i) the unallocated shares (ii) relinquished shares; and (iii) lapsed options shares for the purpose and benefit of the MSI;
- issue of shares for the purpose of the MSI; and
- authorisation of any one director or the company secretary to do all such things and sign all such documents and take all such action as they consider necessary to implement the special resolutions.

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 page 44 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 were confirmed by shareholders at the AGM on 31 May 2017.

In accordance with the provisions of the company's Memorandum of Incorporation (MoI), one third of all non-executive directors will retire by rotation at the forthcoming AGM. JD Jansen, SC Masie and SA Zinn being eligible, have offered themselves for re-election. Brief biographical notes in respect of each director can be found on page 44 of this report.

Interests, share options, MSI and emoluments of directors and prescribed officers

Interests of directors and prescribed officers

As at 31 December 2017, the directors' and prescribed officers' beneficial and non-beneficial, direct and indirect interests in the issued share capital of the company were 2% (2016: 2%) in aggregate. The interests of directors and prescribed officers are as follows:

	Beneficial				Non-beneficial			
	Direct		Indirect		Direct		Indirect	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
Directors								
CH Boulle	**3 549**	3 549	**–**	–	**–**	–	**–**	–
RJ Douglas	**185 278**	95 278	**–**	–	**–**	–	**–**	–
BM Gourley	**–**	–	**–**	–	**–**	–	**–**	–
JD Jansen	**–**	–	**–**	–	**–**	–	**–**	–
SC Masie	**–**	–	**–**	–	**–**	–	**–**	–
JDR Oesch	**1 993 895**	1 902 228	**–**	–	**–**	–	**37 312**	37 312
KDM Warburton	**–**	–	**–**	–	**–**	–	**–**	–
SA Zinn	**–**	–	**–**	–	**–**	–	**–**	–
Prescribed officers								
MD Aitken	**10 900**	–	**–**	–	**–**	–	**–**	–
DL Honey	**9 117 289**	9 090 622	**–**	–	**–**	–	**128 388**	128 388
A Isaakidis	**1 924 975**	1 861 754	**–**	–	**–**	–	**–**	–
Totals	**13 235 886**	12 953 431	**–**	–	**–**	–	**165 700**	165 700

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 2017.

DIRECTORS' REPORT

for the year ended 31 December 2017 *(continued)*

Share options of directors and prescribed officers

The directors and prescribed officers held the following share options at 31 December 2017:

	Share options as at 31 December 2016		Share options granted during the year		Share options forfeited during the year#		Share options exercised during the year			**Share options as at 31 December 2017**
	Number	Exercise price (cents)	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					40 000	1 600	374 400	**40 000**
	125 000	820			41 667	820				**83 333**
	150 000	1 260			50 000	1 260	50 000	1 600	170 000	**50 000**
	166 600	1 696			111 067	1 696				**55 533**
JDR Oesch	91 667	575					91 667	1 451	803 003	**–**
	30 000	580								**30 000**
	80 000	664					40 000	1 567	361 211	**40 000**
	83 334	820			41 667	820				**41 667**
	150 000	1 260			50 000	1 260	50 000	1 567	153 513	**50 000**
	123 300	1 696			82 200	1 696				**41 100**
Prescribed officers										
MD Aitken	35 000	1 696			23 333	1 696				**11 667**
DL Honey	91 667	575					91 667	1 575	916 670	**–**
	40 000	580								**40 000**
	80 000	664					40 000	1 565	360 400	**40 000**
	66 667	820			33 333	820				**33 334**
	120 000	1 260			40 000	1 260				**80 000**
	123 300	1 696			82 200	1 696				**41 100**
A Isaakidis	91 667	575					91 667	1 577	918 503	**–**
	40 000	580								**40 000**
	80 000	664					40 000	1 565	360 400	**40 000**
	83 334	820								**83 334**
	150 000	1 260								**150 000**
			41 100	1 859						**41 100**
	2 381 536		41 100		555 467		535 001		4 418 100	**1 332 168**

 # Share options forfeited to participate in the new management share incentive scheme (MSI).

MSI of directors and prescribed officers

A new management share incentive scheme was implemented during the year. The directors and prescribed officers were awarded the following share awards at 31 December 2017:

	Share awards as at 31 December 2016	Share awards awarded during the year	Share awards vested during the year		**Share awards as at 31 December 2017**
	Number	Number	Number	Benefit arising on vesting of awards R	**Number**
Directors					
RJ Douglas		246 806			**246 806**
JDR Oesch		140 105			**140 105**
Prescribed officers					
MD Aitken		128 624			**128 624**
DL Honey		140 007			**140 007**
	–	655 542	–	–	**655 542**

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 2017, are set out below:

	Fees R	Salary R	Bonus* R	Expense allowances R	Provident fund contributions R	Consulting fees R	**Total 2017 R**	Total 2016 R
Executive								
RJ Douglas		3 489 623		180 000	467 877		**4 137 500**	7 169 000
JDR Oesch		2 472 344		150 000	334 349		**2 956 693**	5 004 126
Total executive		5 961 967	–	330 000	802 226		**7 094 193**	12 173 126
Prescribed officers								
MD Aitken		2 225 542		246 792	175 916		**2 648 250**	–
DL Honey		2 470 948		202 212	323 206		**2 996 366**	3 987 374
A Isaakidis		2 786 837		212 040			**2 998 877**	4 434 063
Total prescribed officers		7 483 327	–	661 044	499 122		**8 643 493**	8 421 437
Non-executive								
CH Boulle	933 068						**933 068**	821 167
BM Gourley	811 142					100 000	**911 142**	778 829
JD Jansen	478 497						**478 497**	413 991
J Hofmeyr**	411 370						**411 370**	–
JS Chimhanzi**	416 238						**416 238**	–
SC Masie	381 739						**381 739**	330 007
KDM Warburton	659 619						**659 619**	587 574
SA Zinn	486 771						**486 771**	460 978
Total non-executive	4 578 444					100 000	**4 678 444**	3 392 546

* *Refer to remuneration committee report for details of the executive bonus scheme.*
** *Appointed as director from 1 January 2017.*

No director's fees were paid to executive directors during 2017.

DIRECTORS' REPORT

for the year ended 31 December 2017 *(continued)*

Acquisitions

The group acquired Glenwood House School, the University of Africa Group (51% holding), Elkanah House School, The Private Hotel School (80% holding), Summit College and Greenwood Bay College during the year under review. All acquisitions are in line with the published expansion programme. Further details on these acquisitions are detailed in note 34 on pages 104 to 107.

All acquisitions are fully held except where otherwise stated.

Glenwood House (George)

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, for students who enjoy a home away from home, in an environment supervised by qualified and dedicated staff.

University of Africa group (Zambia)

The University of Africa group 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 (Bloubergstrand)

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 Private Hotel School (Stellenbosch)

The Private Hotel School is a leading hotel, hospitality and culinary school based in Stellenbosch and Johannesburg. The curriculum is taught through innovative academic methods and provides practical training and opportunities with respected industry partners.

Summit College (Midrand)

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.

Greenwood Bay College (Plettenberg Bay)

Greenwood Bay College is a secular school with a modern, forward-looking approach to education. With the focus on manners, integrity, trust and self-discipline, the school runs from a toddler class, through Grades 000 to 12.

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 2017 audit is the second 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 DM Dickson who was appointed on 22 June 2017. The company secretary's address, as well as the address of the registered office of the company, is:

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

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

CONSOLIDATED SEGMENTAL REPORT

for the year ended 31 December 2017

	Percentage increase/ (decrease)	**Audited 2017 R'm**	Audited 2016 R'm
Revenue	22%	**4 086.9**	3 353.1
Schools	14%	**1 866.3**	1 643.7
Tertiary	26%	**1 580.2**	1 252.5
Resourcing	40%	**644.3**	460.9
Intra group revenue		**(3.9)**	(4.0)
Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA)	7%	**795.4**	740.6
Schools	(9%)	**384.0**	421.4
Tertiary	41%	**382.6**	270.9
Resourcing	41%	**41.1**	29.1
Litigation settlement		**–**	23.5
Litigation costs		**–**	(2.3)
Corporate action costs		**(12.3)**	(2.0)
Depreciation and amortisation	17%	**155.3**	132.5
Schools	12%	**85.1**	76.0
Tertiary	29%	**61.2**	47.6
Resourcing	1%	**9.0**	8.9
Operating profit before interest	5%	**640.1**	608.1
Schools	(13%)	**298.9**	345.4
Tertiary	44%	**321.4**	223.3
Resourcing	59%	**32.1**	20.2
Litigation settlement		**–**	23.5
Litigation costs		**–**	(2.3)
Corporate action costs		**(12.3)**	(2.0)
Property, plant and equipment and proprietary technology systems	26%	**3 575.9**	2 834.0
Schools	24%	**2 727.3**	2 193.6
Tertiary	33%	**841.0**	632.8
Resourcing	0%	**7.6**	7.6
Current assets	8%	**457.3**	422.7
Schools	31%	**207.5**	158.1
Tertiary	(11%)	**186.2**	208.4
Resourcing	13%	**63.6**	56.2
Total liabilities	36%	**2 678.7**	1 968.1
Schools	38%	**1 938.3**	1 403.0
Tertiary	28%	**644.3**	504.6
Resourcing	59%	**96.1**	60.5
Capital expenditure	98%	**718.0**	361.8
Schools	93%	**519.8**	269.0
Tertiary	117%	**195.0**	90.0
Resourcing	14%	**3.2**	2.8

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2017

	Notes	**Audited 2017 R'm**	Audited 2016 R'm
Revenue	4	**4 086.9**	3 353.1
Placement cost of sales		**(368.0)**	(213.9)
Staff costs	5	**(1 755.9)**	(1 467.4)
Rent and occupancy costs		**(285.3)**	(226.3)
Other operating expenses		**(882.3)**	(704.9)
Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA)		**795.4**	740.6
Schools		**384.0**	421.4
Tertiary		**382.6**	270.9
Resourcing		**41.1**	29.1
Litigation settlement		**–**	23.5
Litigation costs		**–**	(2.3)
Corporate action costs		**(12.3)**	(2.0)
Depreciation and amortisation	5	**(155.3)**	(132.5)
Operating profit before interest	5	**640.1**	608.1
Net finance costs paid		**(99.1)**	(81.7)
Interest received	6.1	**3.9**	12.6
Finance costs	6.2	**(103.0)**	(94.3)
Profit before taxation		**541.0**	526.4
Taxation	7	**(161.0)**	(148.5)
Profit for the year		**380.0**	377.9
Profit for the year attributable to:			
Owners of the parent		**369.3**	372.4
Non-controlling interests		**10.7**	5.5
		380.0	377.9
Earnings per share			
Basic (cents)	8	**69.1**	70.9
Diluted (cents)	8	**69.0**	70.8

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2017

	Audited 2017 R'm	Audited 2016 R'm
Profit for the year	**380.0**	377.9
Other comprehensive income, net of income taxation		
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating foreign operations	**(6.4)**	(6.3)
Total comprehensive income for the year	**373.6**	371.6
Total comprehensive income for the year attributable to:		
Owners of the parent	**363.6**	366.1
Non-controlling interests	**10.0**	5.5
	373.6	371.6

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2017

	Notes	**Audited 2017 R'm**	Audited 2016 R'm
Assets			
Non-current assets			
Property, plant and equipment	12	**3 511.8**	2 788.7
Proprietary technology systems	13	**64.1**	45.3
Goodwill	14	**1 305.3**	1 170.1
Intangible assets	15	**208.3**	206.6
Investment	19	**12.0**	12.0
		5 101.5	4 222.7
Current assets			
Inventories	20	**8.0**	6.7
Trade and other receivables	21	**307.1**	235.6
Prepayments		**32.3**	52.2
Bank balances and cash	22	**109.9**	128.2
		457.3	422.7
Total assets		**5 558.8**	4 645.4
EQUITY AND LIABILITIES			
Capital and reserves			
Stated capital	24	**1 481.9**	1 481.9
Share incentive reserve		**23.6**	25.3
Foreign currency translation reserve		**(0.8)**	5.6
Shares held by the Share Incentive Trust	16	**(39.3)**	(57.8)
Retained earnings		**1 383.3**	1 196.3
Non-controlling interests		**31.4**	26.0
Total equity		**2 880.1**	2 677.3
Non-current liabilities			
Long-term bank loans	25	**751.5**	758.0
Deferred taxation liabilities	18	**100.1**	94.1
Acquisition liabilities	28	**49.0**	–
		900.6	852.1
Current liabilities			
Current portion of long-term bank loans	25	**12.2**	31.1
Short-term bank loan	26	**750.0**	425.0
Trade and other payables	27	**382.1**	338.1
Taxation		**6.3**	8.3
Fees received in advance and deposits		**411.8**	287.5
Shareholders for capital distribution		**0.8**	0.8
Shareholders for dividend		**1.6**	1.0
Bank overdraft	22	**213.3**	24.2
		1 778.1	1 116.0
Total equity and liabilities		**5 558.8**	4 645.4

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2017

	Notes	Stated capital R'm	Share incentive 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 2016		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	24	190.7						190.7
Share issue costs	24	(1.5)						(1.5)
Share options exercised			1.1		6.9			8.0
Non-controlling interests arising on acquisitions	31						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**
Total comprehensive income for the year				(6.4)		369.3	10.7	373.6
Profit for the year						369.3	10.7	380.0
Other comprehensive income for the year				(6.4)				(6.4)
Dividends declared to shareholders	11					(182.3)	(4.4)	(186.7)
Share-based payment expense	5, 16		6.3					6.3
Share award expense under the management share incentive scheme (MSI)	5, 17		2.0					2.0
Shares awarded under the management share incentive scheme (MSI)			(14.6)		10.0			(4.6)
Share options exercised			4.6		8.5			13.1
Non-controlling interests arising on acquisitions	31, 34						(0.9)	(0.9)
Balance at 31 December 2017		**1 481.9**	**23.6**	**(0.8)**	**(39.3)**	**1 383.3**	**31.4**	**2 880.1**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2017

	Notes	**Audited 2017 R'm**	Restated* Audited 2016 R'm
Cash flows from operating activities			
Cash generated from operations	31.1	**811.1**	737.9
Movement in working capital	31.2	**48.2**	(40.4)
Cash generated by operating activities		**859.3**	697.5
Net finance costs paid		**(99.1)**	(81.7)
– interest received	6.1	**3.9**	12.6
– finance costs	6.2	**(103.0)**	(94.3)
Taxation paid	31.3	**(174.6)**	(160.0)
Dividends paid	31.5	**(186.1)**	(164.5)
Net cash inflow from operating activities		**399.5**	291.3
Cash flows from investing activities			
Additions to property, plant and equipment			
– to maintain operations	31.6	**(155.7)**	(116.1)
– to expand operations	31.7	**(533.1)**	(245.0)
Additions to proprietary technology systems	13	**(29.2)**	(0.7)
Business combinations cash flows	31.8	**(215.6)**	(81.4)
Proceeds on disposal of property, plant and equipment		**14.4**	2.2
Net cash outflow from investing activities		**(919.2)**	(441.0)
Cash flows from financing activities			
Shares issued		**–**	189.2
Decrease in long-term bank loans		**(6.5)**	(43.1)
Increase/(decrease) in short-term bank loan		**306.1**	(75.9)
Cash movement in shares held by Share Incentive Trust		**13.1**	8.0
Net cash inflow from financing activities		**312.7**	78.2
Net decrease in cash and cash equivalents		**(207.0)**	(71.5)
Cash and cash equivalents at beginning of the year		**104.0**	176.2
Net foreign exchange difference on cash and cash equivalents		**(0.4)**	(0.7)
Cash and cash equivalents at end of the year	22	**(103.4)**	104.0

* *The restatement of the comparative information is a result of reclassifying the vendor claims reversal of R11.0 million from financing activities into operating activities.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017

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 in South Africa and other African countries.

2. Adoption of new and revised standards

During the current year, the group adopted the following standard which is effective for annual reporting periods beginning on or after 1 January 2017:

- 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).

The remaining standards, amendments and interpretations, which became effective in the period ended 31 December 2017 were assessed for applicability to the group and management concluded that they were not applicable to the business of the group and consequently have had no impact.

3. Significant accounting policies

The accounting policies below apply to the consolidated and separate financial statements (hereafter referred to as financial statements).

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.

Where an acquisition is achieved through a purchase of shares in a company, control is usually achieved when the shares are transferred into the name of the company. Where an acquisition is achieved through the purchase of assets, control is achieved either when all conditions precedent have been met or when the transfer of the land and buildings has been achieved.

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. The material change that was made to acquisitions during the year related to revenue smoothing in line with the stage of completion method of recognising revenue for the provision of services.

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.

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 are recognised and measured in accordance with IAS 12 *Income Taxes*.

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.

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.

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 includes revenue received for tuition and placement fees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017 *(continued)*

3.7 Revenue recognition *(continued)*

Revenue from tuition fees is recognised on a straight-line basis over the period that the service is to be rendered. Revenue from placement fees is recognised as and when services are rendered.

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).

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.

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 under the share option scheme. These 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.

The 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.

The group also issues equity-settled share-based payments to certain employees under the Management Share Incentive (MSI) scheme. These 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 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. The number of shares that will eventually vest fluctuates based on performance against pre-defined performance targets, that includes no market related vesting conditions.

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 2/2015 – 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. The effect of the reported fraud for prior years that have been included in the current year results and corporate action costs relating to acquisitions have been adjusted in the calculation of normalised earnings. In the prior year, the benefit of the litigation settlement was also adjusted in the calculation of normalised earnings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017 *(continued)*

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 no adjustments were required to be made to these adjustments.

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. There were no indications of impairment for the year under review.

3.18 Inventories

Inventories are stated at the lower of cost and net realisable value. Inventory balances at year end consist mostly of books. These are carried as inventory and expensed when provided to students.

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:

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 Critical accounting judgements and key sources of estimation uncertainty

Valuation of equity compensation benefits

Management classifies its share-based payment schemes as equity-settled schemes. 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.

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 2017 *(continued)*

3.23 Standards and interpretations not yet effective

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

IFRS 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 3	*Business Combinations* (Annual Improvements 2015 – 2017 Cycle: Clarification that when an entity obtains control of a business that is a joint operation, it is required to remeasure preciously held interests in that business)	Annual period beginning on or after 1 January 2019
IFRS 9	*Financial Instruments* (New standard)	Annual period beginning on or after 1 January 2018
IFRS 9	*Financial Instruments* (Prepayment Features with Negative Compensation. The narrow-scope amendment allows companies to measure particular prepayable financial assets with negative compensation at amortised cost or at fair value through other comprehensive income if a specified condition is met)	Annual period beginning on or after 1 January 2019
IFRS 11	*Joint Arrangements* (Annual Improvements 2015 – 2017 Cycle: Clarification that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business)	Annual period beginning on or after 1 January 2019
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 12	*Income Taxes* (Annual Improvements 2015 – 2017 Cycle: Clarification that all income tax consequences of dividends should be recognised in profit or loss, regardless of how the tax arises)	Annual period beginning on or after 1 January 2019
IAS 23	*Borrowing Costs* (Annual Improvements 2015 – 2017 Cycle: The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings)	Annual period beginning on or after 1 January 2019
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
IAS 28	*Investments in Associates and Joint Ventures* (Clarification provided that an entity should apply IFRS 9 to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied)	Annual period beginning on or after 1 January 2019
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
IFRIC 23	*Uncertainty over Income Tax Treatments* (This interpretation specifies how an entity should reflect the effects of uncertainties in accounting for income taxes)	Annual period beginning on or after 1 January 2019

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

The effect of the implementation of the standards is detailed below:

IFRS 15 – Revenue from Contracts with Customers

The new revenue standard introduces a new revenue recognition model for contracts with customers. The core principle of IFRS 15 is that an entity will recognise revenue to depict the transfer of promised goods or services to customers for an amount that reflects the consideration to which an entity expects to be entitled to in exchange for those goods or services.

The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

The group is in the process of performing a preliminary assessment of the potential impact of the adoption of IFRS 15.

For revenue derived from the rendering of services, management does not expect a significant impact on the measurement or timing of revenue recognition due to the nature and length of services rendered.

It is expected that the disclosure required under IFRS 15 will expand significantly. This will include, but not limited to disclosures enabling users to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The group will perform a detailed assessment of the impact resulting from the application of IFRS 15 and the related disclosures.

The standard is effective for annual periods beginning on or after 1 January 2018 and will be adopted in the year ending 31 December 2018.

IFRS 9 – Financial Instruments

IFRS 9 replaces the current IAS 39 categories of financial assets with three principal classification categories:

- measured at amortised cost;
- fair value through other comprehensive income; and
- fair value through profit and loss.

The IFRS 9 impairment model has been changed from an "incurred loss" model per IAS 39 to an "expected credit loss" model, which will require revision of the calculation of the credit risk impairment provision.

Management is in the process of performing a preliminary assessment of the impact of IFRS 9 on the group's financial statements and related disclosures, with specific focus on the above mentioned areas.

Given the nature of the group's financial instruments, the group does not believe that the new classification categories will significantly impact on the measurement of these instruments.

Management does not expect a material impact on the credit risk provision calculation as a result of the transition from an "incurred loss" model to an "expected credit loss" model, but the significance thereof is still being assessed.

The group will perform a more detailed assessment of the impact of these changes and related disclosures.

The standard is effective for annual periods beginning on or after 1 January 2018 and will be adopted in the year ending 31 December 2018.

IFRS 16 – Leases

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ("lessee") and the supplier ("lessor").

IFRS 16 has one model for lessees which will result in a number of leases previously recorded off-balance sheet being recorded on the balance sheet.

The group has a number of leases for schools and tertiary premises that will be recognised on the balance sheet as a result of the adoption of IFRS 16.

Management is in the process of determining the quantitative impact of recognising these leases on balance sheet, where relevant.

The group will perform a detailed assessment of the impact resulting from the application of IFRS 16 and the related disclosures.

The amendments are effective for the group for the year ending 31 December 2019.

Other standards and interpretations

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017 *(continued)*

		Notes	**Audited 2017 R'm**	Audited 2016 R'm
4.	**Revenue**			
	Tuition fees		**3 445.0**	2 894.9
	Placement fees		**636.8**	449.9
	Sale of goods and services		**9.0**	12.3
	Intra group revenue		**(3.9)**	(4.0)
			4 086.9	3 353.1
5.	**Operating profit before interest**			
	Operating profit before interest is stated after taking the following into account:			
	Auditors' remuneration		**8.9**	8.1
	– Current year audit fee		**8.3**	7.4
	– Prior year under provision		**0.4**	0.2
	– Other services		**0.2**	0.5
	Amortisation		**28.1**	25.3
	– Proprietary technology systems	13	**10.4**	10.2
	– Intangible assets	15	**17.7**	15.1
	Depreciation	12	**127.2**	107.2
	– Land and buildings		**14.6**	17.2
	– Computer equipment		**44.5**	35.9
	– Computer software		**3.0**	1.7
	– Furniture, fittings and equipment		**29.5**	24.4
	– Motor vehicles		**6.8**	5.4
	– Video equipment		**0.9**	0.7
	– Leasehold improvements		**27.9**	21.9
	Total depreciation and amortisation		**155.3**	132.5
	Foreign exchange gains		**(0.9)**	(0.7)
	Foreign exchange losses		**1.1**	0.6
	Operating lease charges		**169.0**	119.5
	– Premises		**163.2**	113.5
	– Equipment		**5.8**	6.0
	Professional fees		**22.4**	10.8
	Loss on sale of property, plant and equipment		**0.7**	1.5
	Directors' emoluments		**11.8**	15.6
	– For services as directors		**4.7**	3.4
	– For managerial and other services		**7.1**	12.2
	Pension and provident fund contributions		**109.5**	91.8
	Share-based payment expense	16	**6.3**	5.8
	Management share incentive scheme expense (MSI)	17	**2.0**	–
	Staff costs		**1 626.3**	1 354.2
	Total staff costs		**1 755.9**	1 467.4
	Number of staff (at year-end)		**6 941**	5 916
	Number of staff covered by retirement plans (at year-end)		**4 260**	3 717

		Note	Audited 2017 R'm	Audited 2016 R'm
6.	**Net finance costs paid**			
6.1	**Interest received**			
	Call accounts		**1.7**	4.1
	Current accounts		**1.8**	0.8
	South African Revenue Service and other revenue authorities		**0.1**	–
	Other		**0.3**	7.7
			3.9	12.6
6.2	**Finance costs**			
	Bank loans		**(96.1)**	(92.4)
	Bank loans facility fees		**(1.4)**	(1.4)
	Current accounts overdraft		**(3.2)**	–
	South African Revenue Service and other revenue authorities		**(0.2)**	(0.5)
	Other		**(2.1)**	–
			(103.0)	(94.3)
	Net finance costs paid		**(99.1)**	(81.7)
7.	**Taxation**			
7.1	**Taxation expense comprises**			
	Current taxation – current year		**171.2**	156.6
	– prior year over provision		**(2.5)**	(0.2)
	Deferred taxation – current year	18	**(7.6)**	(7.1)
	– prior year over provision	18	**(0.1)**	(0.8)
	Total taxation expense		**161.0**	148.5
	Estimated taxation losses for the group carried forward at year-end were R20.1 million (2016: R20.3 million).			
	Deferred taxation assets relating to taxation losses to the value of R3.2 million (2016: R4.1 million) have not been raised in the group.			
7.2	**Reconciliation of taxation**			
	Profit before taxation		**541.0**	526.4
	Taxation at 28%		**151.5**	147.4
	Foreign taxation effect		**(3.2)**	(2.6)
	Permanent differences		**15.3**	4.7
	Disallowable expenditure – depreciation on buildings		**8.4**	7.6
	– other		**7.0**	3.5
	– foreign entities		**–**	0.2
	Exempt income		**(0.1)**	(6.6)
	Current taxation – prior year over provision		**(2.5)**	(0.2)
	Deferred taxation – prior year over provision		**(0.1)**	(0.8)
	Taxation expense recognised in profit		**161.0**	148.5
	Effective taxation rate		**29.8%**	28.2%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017 *(continued)*

	Audited 2017 R'm	Audited 2016 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	**369.3**	372.4
Number of shares		
Number of shares in issue ('m)	**544.4**	536.4
Less: Weighted average number of shares in issue held by the Share Incentive Trust and under the MSI ('m)	**(10.2)**	(11.2)
Weighted average number of shares in issue for purposes of basic earnings per share ('m)	**534.2**	525.2
Effect of dilutive potential ordinary shares ('m)	**1.0**	0.5
Weighted average number of shares for purposes of diluted earnings per share ('m)	**535.2**	525.7
Earnings per share		
Basic (cents)	**69.1**	70.9
Diluted (cents)	**69.0**	70.8

	Audited 2017 R'm		Audited 2016 R'm	
	Gross	**Net**	Gross	Net
9. Headline earnings per share				
Earnings				
Earnings for the purpose of basic and diluted earnings per share		**369.3**		372.4
Items excluded from headline earnings per share				
Loss on sale of property, plant and equipment	**0.7**	**0.5**	1.5	1.1
Earnings for the purpose of headline earnings per share		**369.8**		373.5

	Audited 2017	Audited 2016
Number of shares		
Number of shares in issue ('m)	**544.4**	536.4
Less: Weighted average number of shares in issue held by the Share Incentive Trust and under the MSI ('m)	**(10.2)**	(11.2)
Weighted average number of shares in issue for purposes of basic headline earnings per share ('m)	**534.2**	525.2
Effect of dilutive potential ordinary shares ('m)	**1.0**	0.5
Weighted average number of shares for purposes of diluted headline earnings per share ('m)	**535.2**	525.7
Headline earnings per share		
Basic (cents)	**69.2**	71.1
Diluted (cents)	**69.1**	71.0

	Audited 2017 R'm		Audited 2016 R'm	
	Gross	**Net**	Gross	Net
10. Normalised earnings per share				
Earnings				
Earnings for the purpose of basic and diluted headline earnings per share		**369.8**		373.5
Items excluded from normalised earnings per share	**43.4**	**35.0**	(49.1)	(41.2)
Litigation costs	**–**	**–**	2.3	2.3
Corporate and financing costs				
Corporate action costs	**12.3**	**12.3**	1.3	1.3
Facility initiation costs	**–**	**–**	0.7	0.5
Fraud adjustments				
Adjustments relating to 2016*	**24.4**	**17.8**	(24.4)	(17.8)
Adjustments relating to 2015*	**6.7**	**4.9**	–	–
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		**404.8**		332.3

	Audited 2017 R'm	Audited 2016 R'm
Number of shares		
Number of shares in issue ('m)	**544.4**	536.4
Less: Weighted average number of shares in issue held by the Share Incentive Trust and under the MSI ('m)	**(10.2)**	(11.2)
Weighted average number of shares in issue for purposes of basic normalised earnings per share ('m)	**534.2**	525.2
Effect of dilutive potential ordinary shares ('m)	**1.0**	0.5
Weighted average number of shares for purposes of diluted normalised earnings per share ('m)	**535.2**	525.7
Normalised earnings per share		
Basic (cents)	**75.8**	63.3
Diluted (cents)	**75.6**	63.2

* *The reported fraud amounting to R48.1 million which was perpetrated over a three year period, was accounted for in the current financial year. Normalised earnings has been adjusted by re-allocating the impact of this occurrence to the accounting periods to which it relates. The 2016 normalised profit has been adjusted downwards to account for the overstatement that resulted in that year. The 2017 normalised profit has been adjusted upwards to remove the effects relating to the 2015 and 2016 periods, and therefore only reflects the effect of the fraud that relates to the 2017 financial year.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017 *(continued)*

	Audited 2017 R'm	Audited 2016 R'm
11. Dividends		
Final dividend No 15 paid on 18 April 2017: 19.0 cents per share (2016: No 13: 17.0 cents per share)	**103.4**	90.2
Interim dividend No 16 paid on 11 September 2017: 15.0 cents per share (2016: No 14: 13.5 cents per share)	**81.7**	73.6
Dividend attributable to treasury shares	**(2.8)**	(3.0)
Dividends declared by subsidiaries to non-controlling interests	**4.4**	3.9
Total dividends	**186.7**	164.7
On 16 March 2018 the directors declared a dividend No 17 of 19.0 cents per share payable on 16 April 2018 to shareholders registered on the record date, being 13 April 2018.		
Analysis of dividends per share declared:		
Interim (cents)	**15.0**	13.5
Final (cents)	**19.0**	19.0
	34.0	32.5

	Cost					
	1 Jan 2017 R'm	Additions R'm	Acquisitions through business combinations R'm	Disposals R'm	Foreign currency effect R'm	**31 Dec 2017 R'm**
12. Property, plant and equipment						
Land and buildings	2 488.3	521.0	169.4	(13.7)	(1.9)	**3 163.1**
Computer equipment	243.0	70.5	2.0	(12.6)	–	**302.9**
Computer software	12.2	2.4	–	(1.8)	–	**12.8**
Furniture, fittings and equipment	232.0	42.3	6.0	(4.8)	(0.1)	**275.4**
Motor vehicles	44.4	7.4	1.1	(1.0)	–	**51.9**
Video equipment	4.2	0.8	–	–	–	**5.0**
Leasehold improvements	350.7	44.4	–	(1.5)	–	**393.6**
	3 374.8	688.8	178.5	(35.4)	(2.0)	**4 204.7**

	Accumulated depreciation and impairment					
	1 Jan 2017 R'm	Depreciation R'm	Acquisitions through business combinations R'm	Disposals R'm	Foreign currency effect R'm	**31 Dec 2017 R'm**
Land and buildings	114.3	14.6	–	(0.6)	(0.1)	**128.2**
Computer equipment	163.4	44.5	–	(11.7)	–	**196.2**
Computer software	6.1	3.0	–	(1.3)	–	**7.8**
Furniture, fittings and equipment	158.2	29.5	–	(4.3)	–	**183.4**
Motor vehicles	28.1	6.8	–	(1.0)	–	**33.9**
Video equipment	3.1	0.9	–	–	–	**4.0**
Leasehold improvements	112.9	27.9	–	(1.4)	–	**139.4**
	586.1	127.2	–	(20.3)	(0.1)	**692.9**

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

	Net book value	
	31 Dec 2017 R'm	31 Dec 2016 R'm
Land and buildings	**3 034.9**	2 374.0
Computer equipment	**106.7**	79.6
Computer software	**5.0**	6.1
Furniture, fittings and equipment	**92.0**	73.8
Motor vehicles	**18.0**	16.3
Video equipment	**1.0**	1.1
Leasehold improvements	**254.2**	237.8
	3 511.8	2 788.7

Included in land and buildings is an amount of R38.9 million (2016: R95.6 million) which relates to buildings that are still in progress.

Included in leasehold improvements is an amount of R2.0 million (2016: R3.7 million) which relates to improvements that are still in progress.

The amount of borrowing costs capitalised to current year additions amounted to R5.4 million (2016: R4.4 million) at a capitalisation rate of 8.9% (2016: 8.9%).

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 as at December 2016. This valuation does not include the fixed property acquired as part of the current year business combinations, which have been recognised at fair value.

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

Land and buildings having a net book value of R1 214.6 million (2016: R1 239.1 million) have been pledged as security for the banking facilities (refer to notes 25 and 26).

	Cost						
	1 Jan 2016 R'm	Additions R'm	Acquisitions through business combinations R'm	Disposals R'm	Foreign currency effect R'm	Reallocation R'm	31 Dec 2016 R'm
Land and buildings	2 248.5	245.1	–	–	(5.3)	–	2 488.3
Computer equipment	194.1	53.9	1.5	(6.6)	–	0.1	243.0
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)	2.7	232.0
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)	–	(2.8)	350.7
	3 031.9	361.1	5.1	(17.9)	(5.4)	–	3 374.8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017 *(continued)*

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

	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	Reallocation 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)	–	0.1	163.4
Computer software	5.2	1.7	–	(0.8)	–	–	6.1
Furniture, fittings and equipment	136.1	24.4	–	(2.4)	–	0.1	158.2
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)	–	(0.2)	112.9
	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	73.8	64.2
Motor vehicles	16.3	12.5
Video equipment	1.1	1.2
Leasehold improvements	237.8	246.0
	2 788.7	2 538.6

	Notes	Audited 2017 R'm	Audited 2016 R'm
13. Proprietary technology systems			
Cost			
Balance at beginning of the year		**90.3**	89.6
Additions		**29.2**	0.7
Balance at end of the year		**119.5**	90.3
Accumulated amortisation			
Balance at beginning of the year		**45.0**	34.8
Amortisation expense	5	**10.4**	10.2
Balance at end of the year		**55.4**	45.0
Carrying amount			
At beginning of the year		**45.3**	54.8
At end of the year		**64.1**	45.3

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.

Included in proprietary technology systems is an amount of R27.2 million (2016: nil) which relates to systems that are still under development.

	Notes	Audited 2017 R'm	Audited 2016 R'm
14. Goodwill			
Cost			
Balance at beginning of the year		**1 170.1**	1 085.3
Additional amounts recognised from business combinations occurring during the year	34	**137.1**	87.3
Acquisition price adjustment		**–**	(2.3)
Foreign currency effect		**(1.9)**	(0.2)
Balance at end of the year		**1 305.3**	1 170.1

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 2017 *(continued)*

14. Goodwill *(continued)*

Cash flow projections for financial forecasts are based on expected revenue, operating margins, working capital requirements and capital expenditure. The future cash flows are determined taking the actual cash flow for the current year inflated by an expected growth rate for the CGU being considered. Growth rates applied are determined based on past experience within the CGU. Growth rates can fluctuate from year to year based on the assumptions used to determine these rates. A terminal value has been conservatively determined and is calculated based on a growth rate of zero percent.

The discount rates present the current market assessment of the risks for each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow projections. The discount rate calculations are derived from the weighted average cost of capital and takes into account both the cost of debt and the cost of equity. The cost of equity was arrived at by using the capital asset pricing model (CAPM) which, where necessary, takes into account an equity risk premium. The CAPM uses market betas of comparable entities in arriving at the cost of equity. The cost of debt is based on the interest-bearing borrowings the group is obliged to service. The debt to equity ratio was determined by applying theoretical target gearing levels, giving consideration to industry averages and using data of comparable entities.

Notwithstanding the conservative assumptions used in the assessments, no impairments are required. The key assumptions used are as follows:

2017 Cash-generating unit	**Goodwill** **R'm**	**Indefinite life intangible assets** **R'm**	**Period of projected cash flows** **Years**	**Applied growth rate** **%**	**Terminal growth rate** **%**	**Discount rate** **%**
Schools	**1 100.2**	**114.8**	**5**	**8.0**	**0.0**	**11.65**
Tertiary	**172.3**	**–**	**5**	**10.0**	**0.0**	**11.65**
Resourcing	**32.8**	**–**	**5**	**7.0**	**0.0**	**11.65**
	1 305.3	**114.8**				

2016 Cash-generating unit	Goodwill R'm	Indefinite life intangible assets R'm	Period of projected cash flows Years	Applied growth rate %	Terminal growth rate %	Discount rate %
Schools	974.9	96.0	5	10.0	0.0	12.23
Tertiary	161.4	–	5	10.0	0.0	12.23
Resourcing	33.8	–	5	7.0	0.0	12.23
	1170.1	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 2016		145.8	107.8	**253.6**
Additions through business combinations		7.6	10.4	**18.0**
Foreign currency effect		0.5	(0.3)	**0.2**
Balance at 1 January 2017		153.9	117.9	**271.8**
Additions through business combinations	34	0.8	19.9	**20.7**
Foreign currency effect		(1.0)	(0.3)	**(1.3)**
At 31 December 2017		153.7	137.5	**291.2**
Accumulated amortisation and impairment				
Balance at 1 January 2016		43.3	6.8	**50.1**
Amortisation expense	5	13.0	2.1	**15.1**
Balance at 1 January 2017		56.3	8.9	**65.2**
Amortisation expense	5	14.6	3.1	**17.7**
At 31 December 2017		70.9	12.0	**82.9**
Carrying amount				
As at 31 December 2016		97.6	109.0	**206.6**
As at 31 December 2017		82.8	125.5	**208.3**

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

	Total useful life	**Remaining useful life**
Customer bases	1 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 R114.8 million (2016: 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. No new options will be granted under this scheme as it has been replaced by the MSI.

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)
30 November 2011	31 Dec 2017	575	4.0	145
7 December 2012	31 Dec 2018	580	3.8	137
21 October 2013	31 Dec 2019	664	4.3	176
2 October 2014	31 Dec 2020	820	4.2	235
19 November 2015	31 Dec 2021	1 260	3.8	423
20 October 2016	31 Dec 2022	1 696	3.5	597
6 March 2017	31 Dec 2023	1 859	3.2	646

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017 *(continued)*

	Number of share options	**Weighted average exercise price (cents)**	Number of share options	Weighted average exercise price (cents)
Reconciliation of options	**2017**		2016	
16. ADvTECH share incentive scheme *(continued)*				
Options outstanding on 1 January	**8 314 769**	**1 161**	7 835 551	905
Add – Options granted during the year	**41 100**	**1 859**	2 399 800	1 696
Less – Exercised	**(1 514 702)**	**867**	(1 237 582)	650
– Lapsed	**(2 072 604)**	**1 381**	(683 000)	1 036
Options outstanding at 31 December	**4 768 563**	**1 165**	8 314 769	1 161

As at 31 December 2017 there were 96 (2016: 103) participants (including executive directors) in the ADvTECH share incentive scheme.

	Number of shares		Loan receivable R'm	
Reconciliation of shares owned	**2017**	2016	**2017**	2016
Shares owned by the trust as at 1 January	**10 319 590**	11 557 172	**57.8**	64.7
Less – Shares transferred to MSI (Refer to note 17)	**(1 781 288)**	–	**(10.0)**	–
– Options exercised during the year	**(1 514 702)**	(1 237 582)	**(8.5)**	(6.9)
Shares owned by the trust at 31 December	**7 023 600**	10 319 590	**39.3**	57.8

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:

	2017	2016
Weighted average exercise price (cents)	**1 859**	1 696
Expected volatility	**23%**	23%
Expected life	**5.2 years**	5.8 years
Risk free rate	**9%**	9%
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 group recognised total expenses of R6.3 million (2016: R5.8 million) related to the share incentive scheme during the year.

17. ADvTECH management Share Incentive Scheme (MSI)

Certain employees and executive directors are eligible to participate in the scheme. Share awards accepted by participants vests three years after the offer date subject to certain performance and retention criteria being met. Participants that were in the ADvTECH share incentive scheme had to forfeit any share options that would have vested in 2020 and after to be able to take up the share awards in the new MSI. The MSI was treated as a modification of the previous share incentive scheme as the participants of this scheme were also participants of the previous scheme. In addition, the forfeiture of the options is part of the transactions relating to awards under the MSI and would not have been required if the MSI scheme was not implemented. Participants will receive dividends and have voting rights in the three years before these shares vest.

Date awards granted	Vesting date year ending	Fair value of awards granted (cents)
28 September 2017	31 Dec 2020	1 715

	Number of share awards	**Weighted average exercise price (cents)**	Number of share awards	Weighted average exercise price (cents)
Reconciliation of awards	**2017**		2016	
Awards outstanding on 1 January	**–**	**–**	–	–
Add – Awards granted during the year	**1 781 288**	**1 715**	–	–
Awards outstanding at 31 December	**1 781 288**	**1 715**	–	–

As at 31 December 2017 there were 36 (2016: nil) participants (including executive directors) in the MSI.

	Number of shares	
Reconciliation of shares owned	**2017**	2016
Shares owned by the group as at 1 January	**–**	–
Add – Shares bought from the Share Incentive trust (Refer to note 16)	**1 781 288**	–
Shares owned by the group at 31 December	**1 781 288**	–

The group recognised total expenses of R2.0 million (2016: nil) related the MSI during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017 *(continued)*

	Audited 2017 R'm	Audited 2016 R'm
18. Deferred taxation liabilities		
Opening deferred taxation liabilities	**(94.1)**	(98.0)
	7.6	7.1
Current year temporary differences	**8.1**	6.7
Foreign currency effect	**(0.9)**	0.3
Movement in deferred taxation assets relating to taxation losses	**0.4**	0.1
Foreign currency effect	**–**	(0.6)
Business combinations	**(13.7)**	(3.4)
Prior year over provision	**0.1**	0.8
Balance at end of the year	**(100.1)**	(94.1)
The balance comprises:		
Deferred and prepaid expenditure	**(4.6)**	(1.4)
Allowance for future expenditure (S24C)	**(67.3)**	(51.4)
Fees received in advance	**94.7**	72.5
Commercial building allowance	**(47.2)**	(36.1)
Allowance for doubtful debts	**35.9**	27.6
Leave pay accrual	**5.3**	4.6
Property, plant and equipment allowances	**(22.3)**	(21.2)
Estimated taxation losses carried forward	**2.4**	1.5
Lease smoothing	**9.5**	8.1
Bonus provision	**9.8**	11.2
Management share incentive scheme awards (MSI)	**0.6**	–
Intangible assets	**(54.6)**	(55.1)
Fair value of land and buildings on acquisitions	**(62.3)**	(54.4)
	(100.1)	(94.1)
Deferred taxation accounted for in the statement of profit or loss:		
Deferred and prepaid expenditure	**(3.2)**	0.1
Allowance for future expenditure (S24C)	**(15.9)**	(1.1)
Fees received in advance	**22.1**	7.9
Commercial building allowance	**(11.1)**	(8.8)
Allowance for doubtful debts	**8.3**	2.1
Leave pay accrual	**0.7**	0.7
Property, plant and equipment allowances	**(1.1)**	0.4
Movement in taxation losses	**0.5**	0.1
Lease smoothing	**1.4**	0.1
Bonus provision	**(1.4)**	1.6
Management share incentive scheme awards (MSI)	**0.6**	–
Intangible assets	**6.3**	4.1
Fair value of land and buildings on acquisitions	**0.4**	(0.1)
	7.6	7.1
19. 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, which it is likely to exercise, 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 preceding 24 months.

	Audited 2017 R'm	Audited 2016 R'm
20. Inventories		
Books	**5.1**	4.4
Other	**2.9**	2.3
	8.0	6.7
21. Trade and other receivables		
Amounts receivable for tuition fees	**335.2**	300.1
Amounts receivable for placement fees	**45.1**	15.5
Amounts receivable from the sale of goods and services	**0.7**	1.1
Trade receivables	**381.0**	316.7
Allowance for doubtful debts	**(172.6)**	(135.6)
	208.4	181.1
Other receivables	**98.7**	54.5
	307.1	235.6

There are no customers who individually represent more than 5% of the total balance of trade receivables net of allowance for doubtful debts.

	Audited 2017 R'm	Audited 2016 R'm
Ageing of past due trade receivables but not impaired		
30 days	**35.2**	20.2
60 days	**27.8**	22.3
90 days	**19.4**	15.8
120+ days	**49.0**	65.4
Total	**131.4**	123.7
Movement in the allowance for doubtful debts		
Balance at beginning of the year	**135.6**	113.1
Business combinations	**–**	9.0
Impairment losses recognised on receivables	**46.6**	34.4
Impairment losses reversed	**(9.6)**	(20.9)
Balance at end of the year	**172.6**	135.6

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.

	Audited 2017 R'm	Audited 2016 R'm
Ageing of impaired trade receivables		
30 days	**7.3**	3.0
60 days	**4.7**	1.7
90 days	**8.2**	3.3
120+ days	**152.4**	127.6
Total	**172.6**	135.6

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017 *(continued)*

	Audited 2017 R'm	Audited 2016 R'm
22. Cash and cash equivalents		
Bank balances	**109.6**	127.8
Bank overdraft	**(213.3)**	(24.2)
Cash	**0.3**	0.4
	(103.4)	104.0

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 2017 'm**	Foreign currency 2016 'm	**Rand equivalent 2017 R'm**	Rand equivalent 2016 R'm
23. Foreign currency exposure					
Trade credit	US Dollar	**0.02**	0.04	**0.3**	0.6
Trade credit	Euro	**0.01**	–	**0.2**	–

24. Stated capital

Authorised

1 000 000 000 shares of no par value (2016: 1 000 000 000 shares)

	Number of shares 2017 'm	**Stated capital 2017 R'm**	Number of shares 2016 'm	Stated capital 2016 R'm
Issued				
Balance at 1 January	**544.4**	**1 481.9**	530.8	1 292.7
Shares issued	**–**	**–**	13.6	190.7
Share issue costs		**–**		(1.5)
Balance at 31 December	**544.4**	**1 481.9**	544.4	1 481.9

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.

	Audited 2017 R'm	Audited 2016 R'm
25. Long-term bank loans		
Secured term loan	**750.0**	750.0
Mortgage loan	**4.6**	23.4
Fixed-term loan	**9.1**	15.7
	763.7	789.1
Disclosed as:		
Current liabilities	**12.2**	31.1
Non-current liabilities	**751.5**	758.0
	763.7	789.1

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 repayable on 15 December 2020 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 180.9 million (2016: R1 205.3 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 R33.7 million (2016: R33.8 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 33 for details on securities on the secured term loan.

	Audited 2017 R'm	Audited 2016 R'm
26. Short-term bank loan		
Revolving credit facility	**750.0**	425.0

This facility is secured by mortgage bonds over properties having a net book value of R1 180.9 million (2016: R1 205.3 million). Refer to note 12 and 25.

The directors consider that the carrying amount of the 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 33 for details on securities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017 *(continued)*

	Audited 2017 R'm	Audited 2016 R'm
27. Trade and other payables		
Trade payables and accruals	**362.9**	321.7
Leave pay accrual	**19.2**	16.4
	382.1	338.1

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

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

	Audited 2017 R'm	Audited 2016 R'm
28. Acquisition liabilities		
Acquisition liabilities	**49.0**	–

A portion of the acquisition consideration of Summit Colleges is settled through the provision of bursaries to students. The programme commenced on 1 January 2016 and runs for a period of 25 years. The carrying value represents the present value using a 9% discount rate.

	Audited 2017 R'm	Audited 2016 R'm
29. Commitments		
29.1 Capital commitments		
Capital expenditure approved by the directors:		
Contracted but not provided for	**357.5**	144.3
Not contracted	**1 553.5**	1 111.0
	1 911.0	1 255.3

Capital commitments will be financed through existing facilities and working capital.

	Audited 2017 R'm	Audited 2016 R'm
Anticipated timing of spend:		
0 – 2 years	**627.3**	555.9
3 – 5 years	**572.1**	202.2
more than 5 years	**711.6**	497.2
	1 911.0	1 255.3
29.2 Operating lease commitments in cash		
Commitments under non-cancellable operating leases are as follows:		
Premises:		
Due within one year	**91.7**	85.6
Due within two to five years	**138.4**	200.9
Due thereafter	**56.6**	56.9
	286.7	343.4
Equipment:		
Due within one year	**5.7**	5.6
Due within two to five years	**3.8**	6.7
	9.5	12.3
	296.2	355.7

The operating leases relate to premises and equipment with various lease terms.

30. Financial instruments

Financial risk management objectives and policies

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

Capital risk management

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

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

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 2017 amounted to R1 954.2 million (2016: R1 761.4 million) of which R1 727.0 million (2016: R1 214.1 million) has been utilised at year-end.

The table below analyses the groups financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Capital outflow as at 31 December 2017		Capital outflow as at 31 December 2016	
	Less than 1 year R'm	**Between 1 and 5 years R'm**	Less than 1 year R'm	Between 1 and 5 years R'm
Secured term loan	**–**	**750.0**	–	750.0
Mortgage loan	**4.6**	**–**	23.4	–
Fixed term loan	**7.7**	**1.4**	7.7	8.0
Revolving credit facility	**750.0**	**–**	425.0	–
Trade and other payables	**382.1**	**–**	338.1	–
Fees received in advance and deposits	**411.8**	**–**	287.5	–
Bank overdraft	**213.3**	**–**	24.2	–
Total	**1 769.5**	**751.4**	1 105.9	758.0

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 R381.0 million (2016: R316.7 million) and bank and cash balances of R109.6 million (2016: R127.8 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 an 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 profits before taxation would have increased or decreased by R10.3 million (2016: R9.8 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017 *(continued)*

30. Financial instruments *(continued)*

Interest risk *(continued)*

		Interest outflow as at 31 December 2017		Interest outflow as at 31 December 2016	
	Interest rate	**Less than 1 year R'm**	**Between 1 and 5 years R'm**	Less than 1 year R'm	Between 1 and 5 years R'm
Secured term loan	Variable	**68.6**	**137.2**	70.2	207.7
Mortgage loan	Variable	**0.5**	**–**	0.3	–
Fixed term loan	8.5%	**0.8**	**0.1**	1.2	0.6
Revolving credit facility	Variable	**5.5**	**–**	5.8	–
Trade and other payables	None	**–**	**–**	–	–
Fees received in advance and deposits	None	**–**	**–**	–	–
Bank overdraft	Prime	**–**	**–**	–	–
Total		**75.4**	**137.3**	77.5	208.3

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 (FEC). There were no unsettled FECs as at year-end.

	Notes	**Audited 2017 R'm**	Audited 2016 R'm
31. Notes to the statement of cash flows			
31.1 Cash generated from operations			
Profit before taxation		**541.0**	526.4
Adjust for non-cash IFRS and other adjustments (before taxation)		**15.0**	6.8
		556.0	533.2
Adjust:		**255.1**	204.7
Depreciation and amortisation	5	**155.3**	132.5
Net finance costs paid	6	**99.1**	81.7
Vendor claims reversal		**–**	(11.0)
Loss on sale of property, plant and equipment	5	**0.7**	1.5
		811.1	737.9
31.2 Movement in working capital			
Increase in inventories		**(1.3)**	(1.6)
Increase in trade and other receivables and prepayments		**(28.3)**	(10.5)
Decrease in trade and other payables and provisions		**(4.4)**	(29.9)
Increase in fees received in advance and deposits		**82.2**	1.6
Decrease/(increase) in working capital		**48.2**	(40.4)
31.3 Taxation paid			
Balance at beginning of the year		**(8.3)**	(11.7)
Business combinations		**(0.3)**	(2.6)
Current charge		**(168.2)**	(154.4)
Taxation on equity item		**(4.6)**	–
Foreign taxation credits		**0.5**	0.4
Balance at end of the year		**6.3**	8.3
Cash amount paid		**(174.6)**	(160.0)

	Note	Audited 2017 R'm	Audited 2016 R'm
31. Notes to the statement of cash flows *(continued)*			
31.4 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		**–**	–
31.5 Dividends paid			
Balance at beginning of the year		**(1.0)**	(0.8)
Declared during the year	11	**(186.7)**	(164.7)
Balance at end of the year		**1.6**	1.0
Cash amount paid		**(186.1)**	(164.5)
31.6 Additions to property, plant and equipment to maintain operations			
Land and buildings		**(36.5)**	(29.6)
Computer equipment		**(59.1)**	(46.6)
Computer software		**(2.0)**	(4.5)
Furniture, fittings and equipment		**(26.9)**	(21.7)
Motor vehicles		**(6.0)**	(6.7)
Video equipment		**(0.8)**	(0.6)
Leasehold improvements		**(24.4)**	(6.4)
		(155.7)	(116.1)
31.7 Additions to property, plant and equipment to expand operations			
Land and buildings		**(484.5)**	(215.5)
Computer equipment		**(11.4)**	(7.3)
Computer software		**(0.4)**	–
Furniture, fittings and equipment		**(15.4)**	(7.8)
Motor vehicles		**(1.4)**	(2.5)
Leasehold improvements		**(20.0)**	(11.9)
		(533.1)	(245.0)
31.8 Business combinations cash flows			
Additions to property, plant and equipment		**(178.5)**	(5.1)
Additions to other non-current assets		**(0.4)**	(3.6)
Additions to current assets		**(44.3)**	(67.2)
Additions to non-current liabilities		**14.0**	5.1
Additions to current liabilities		**81.9**	64.7
Additions to goodwill		**(137.1)**	(87.3)
Additions to intangible assets		**(20.7)**	(18.0)
Additions to non-controlling interests		**(0.9)**	12.9
Cash and cash equivalents acquired		**20.9**	17.1
Non-cash consideration		**49.5**	–
		(215.6)	(81.4)

32. 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, interests, share options and MSI are disclosed in the directors' report on pages 67 to 69.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017 *(continued)*

33. 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 180.9 million (2016: R1 205.3 million).

As at 31 December 2017 the total amount utilised amounted to R1 500.0 million (2016: R1 175.0 million) as per notes 25 and 26.

	Audited 2017 R'm
34. Business combinations*	
34.1 University of Africa group	
A 51% interest in the University of Africa group operating in Zambia was acquired on 1 January 2017 for a consideration of R5.0 million.	
Non-current assets acquired	
Intangible assets	**0.7**
Goodwill	**5.7**
Property, plant and equipment	**0.4**
Other non-current assets	**0.3**
Current assets acquired	
Current assets	**2.1**
Cash and cash equivalents	**7.0**
Non-current liabilities acquired	
Non-current liabilities	**(0.2)**
Current liabilities acquired	
Current liabilities	**(11.7)**
Non-controlling interest#	**0.7**
	5.0
Revenue of R18.3 million and profit after taxation of R0.7 million has been included in the consolidated statement of profit or loss.	
This acquisition was made as an addition to our tertiary division in line with our expansion strategy and provides access to an African market.	
34.2 Glenwood House	
The assets and liabilities of Glenwood House were acquired on 1 January 2017 for a consideration of R109.7 million.	
Non-current assets acquired	
Intangible assets	**7.2**
Goodwill	**35.3**
Property, plant and equipment	**70.6**
Non-current liabilities acquired	
Non-current liabilities	**(3.4)**
	109.7
Revenue of R36.5 million and profit after taxation of R6.9 million has been included in the consolidated statement of profit or loss.	
This acquisition was made as an addition to our Trinityhouse brand and provides expansion opportunities.	

	Audited 2017 R'm
34. Business combinations* *(continued)*	
34.3 Oxbridge Training Institute (Rebranded as Credo Business College)	
The remaining 49% of the share capital of Credo Business College (Pty) Ltd was acquired on 1 July 2017 for a consideration of R2.0 million.	
Non-current assets acquired	
Goodwill	**1.5**
Non-controlling interest#	**0.5**
	2.0
34.4 The Private Hotel School	
An 80% interest in The Private Hotel School Proprietary Limited was acquired on 1 July 2017 for a consideration of R5.6 million.	
Non-current assets acquired	
Intangible assets	**0.4**
Goodwill	**4.3**
Property, plant and equipment	**0.2**
Other non-current assets	**0.1**
Current assets acquired	
Current assets$	**1.6**
Cash and cash equivalents	**2.0**
Non-current liabilities acquired	
Non-current liabilities	**(0.1)**
Current liabilities acquired	
Current liabilities	**(2.6)**
Non-controlling interest#	**(0.3)**
	5.6

Revenue of R3.0 million and a loss after taxation of R0.4 million has been included in the consolidated statement of profit or loss.

Revenue of R5.0 million and profit after taxation of R0.3 million would have been included in the consolidated statement of profit or loss if the acquisition was 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017 *(continued)*

	Audited 2017 R'm
34. Business combinations* *(continued)*	
34.5 Summit College	
The assets and liabilities of Summit College were acquired on 1 July 2017 for a consideration of R104.7 million.	
Non-current assets acquired	
Intangible assets	**1.7**
Goodwill	**46.9**
Property, plant and equipment	**74.0**
Current assets acquired	
Current assets$	**3.5**
Cash and cash equivalents	**5.9**
Non-current liabilities acquired	
Non-current liabilities	**(6.3)**
Current liabilities acquired	
Current liabilities	**(21.0)**
	104.7

Revenue of R21.1 million and loss after taxation of R0.3 million has been included in the consolidated statement of profit or loss.

Revenue of R41.3 million and loss after taxation of R2.8 million would have been included in the consolidated statement of profit or loss if the acquisition was done at the beginning of the annual reporting period.

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

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

	Audited 2017 R'm
34.6 Elkanah House	
The operational assets and liabilities of Elkanah House were acquired on 1 August 2017 for a consideration of R29.0 million.	
Non-current assets acquired	
Intangible assets	**8.7**
Goodwill	**41.8**
Property, plant and equipment	**4.0**
Current assets acquired	
Current assets	**15.2**
Cash and cash equivalents	**6.0**
Non-current liabilities acquired	
Non-current liabilities	**(2.4)**
Current liabilities acquired	
Current liabilities	**(44.3)**
	29.0

Revenue of R39.6 million and profit after taxation of R1.0 million has been included in the consolidated statement of profit or loss.

Revenue of R97.5 million and profit after taxation of R3.7 million would have been included in the consolidated statement of profit or loss if the acquisition was done at the beginning of the annual reporting period.

This acquisition was made as an addition to our Trinityhouse brand and provides expansion opportunities.

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

	Notes	Audited 2017 R'm
34.7 Greenwood Bay College		
The assets and liabilities of Greenwood Bay College were acquired on 1 September 2017 for a consideration of R30.0 million.		
Non-current assets acquired		
Intangible assets		**2.0**
Goodwill		**1.6**
Property, plant and equipment		**29.3**
Current assets acquired		
Current assets$		**1.0**
Non-current liabilities acquired		
Non-current liabilities		**(1.6)**
Current liabilities acquired		
Current liabilities		**(2.3)**
		30.0
Revenue of R4.0 million and profit after taxation of R0.4 million has been included in the consolidated statement of profit or loss.		
Revenue of R12.4 million and profit after taxation of R2.2 million would have been included in the consolidated statement of profit or loss if the acquisition was done at the beginning of the annual reporting period.		
The accounting for this business combination is still within the measurement period.		
Total business combinations		
Total intangible assets	15	**20.7**
Total goodwill	14	**137.1**
Total property, plant and equipment	12, 31.8	**178.5**
Total other non-current assets		**0.4**
Total current assets		**23.4**
Total cash and cash equivalents		**20.9**
Total non-current liabilities		**(14.0)**
Total current liabilities		**(81.9)**
Total non-controlling interest		**0.9**
Total consideration paid		**286.0**

* *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.*

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

$ *Included in current assets are trade receivables with a fair value of R5.1 million. This equals the gross amount of contractual amounts receivable. There were no contractual cash flows at acquisition date that are not expected to be collected.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017 *(continued)*

35. Going concern

The annual financial statements of the group and company are prepared on a going concern basis as the directors believe that both the group and company have adequate facilities and resources in place to remain a going concern for the forseeable future.

36. Subsequent events

Other than the dividend disclosed in note 11, the directors are not aware of any 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 2017 or the financial position at that date.

37. 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 ended 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 expert determination.

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 2017

	Notes	**Audited 2017 R'm**	Audited 2016 R'm
Dividends received from subsidiaries		**180.0**	150.0
Staff costs	1	**(5.5)**	(4.1)
Other operating income		**0.1**	3.7
Profit before taxation	1	**174.6**	149.6
Taxation	2	**–**	–
Total comprehensive income for the year		**174.6**	149.6

COMPANY STATEMENT OF FINANCIAL POSITION

as at 31 December 2017

	Notes	**Audited 2017 R'm**	Audited 2016 R'm
ASSETS			
Non-current assets			
Investments in subsidiaries at cost	4	**658.4**	658.4
Loan to Share Incentive Trust*		**39.3**	57.8
		697.7	716.2
Current assets			
Loans to subsidiaries	4	**834.8**	829.5
Trade and other receivables	5	**35.1**	5.3
Prepayments		**–**	0.1
		869.9	834.9
Total assets		**1 567.6**	1 551.1
EQUITY AND LIABILITIES			
Capital and reserves			
Stated capital	6	**1 481.9**	1 481.9
Share incentive reserve		**14.5**	(6.1)
Retained earnings		**61.4**	69.1
Total equity		**1 557.8**	1 544.9
Current liabilities			
Trade and other payables	7	**3.2**	4.4
Taxation		**4.6**	–
Shareholders for capital distribution		**0.8**	0.8
Shareholders for dividend		**1.2**	1.0
		9.8	6.2
Total equity and liabilities		**1 567.6**	1 551.1

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

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2017

	Note	Stated capital R'm	Share incentive reserve R'm	Retained earnings R'm	Total equity R'm
Balance at 1 January 2016		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	6	190.7			190.7
Share issue costs	6	(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**
Total comprehensive income for the year				174.6	174.6
Dividends declared to shareholders*				(182.3)	(182.3)
Share options exercised			4.6		4.6
Shares awarded under the management share incentive scheme (MSI)			16.0		16.0
Balance at 31 December 2017		**1 481.9**	**14.5**	**61.4**	**1 557.8**

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

COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 December 2017

	Notes	**Audited 2017 R'm**	Audited 2016 R'm
Cash flows from operating activities			
Cash utilised in operations	10.1	**(5.4)**	(0.4)
Movement in working capital	10.2	**(0.3)**	(2.7)
Cash utilised in operating activities		**(5.7)**	(3.1)
Taxation paid	10.3	**–**	(2.1)
Dividends paid	10.5	**(182.1)**	(160.6)
Net cash outflow from operating activities		**(187.8)**	(165.8)
Cash flows from investing activities			
Effects of share options exercised on the share option reserve		**4.6**	1.1
Movement in the loan to the Share Incentive Trust		**8.5**	6.9
Net cash inflow from investing activities		**13.1**	8.0
Cash flows from financing activities			
Shares issued		**–**	189.2
Decrease/(increase) in loans to subsidiaries		**174.7**	(31.4)
Net cash inflow from financing activities		**174.7**	157.8
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 2017

	Audited 2017 R'm	Audited 2016 R'm
1. Profit before taxation		
Profit before taxation is stated after taking the following into account:		
Auditors' remuneration	**1.0**	1.0
– Current year audit fee	**1.0**	0.8
– Prior year under provision	**–**	0.2
Directors' emoluments – for services as directors	**4.6**	3.5
Staff costs	**0.9**	0.6
Total staff costs	**5.5**	4.1
2. Taxation		
2.1 Taxation expense comprises		
Total taxation expense	**–**	–
2.2 Reconciliation of taxation		
Profit before taxation	**174.6**	149.6
Taxation at 28%	**48.9**	41.9
Permanent differences	**(48.9)**	(41.9)
Disallowable expenditure	**1.5**	0.1
Non-taxable income (dividends received)	**(50.4)**	(42.0)
Taxation expense recognised in profit	**–**	–

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 31 December 2017 *(continued)*

	Cost			
	1 Jan 2017 R'm	Additions R'm	Disposals R'm	**31 Dec 2017 R'm**
3. Property, plant and equipment				
Computer equipment	0.1	–	–	**0.1**
	0.1	–	–	**0.1**

	Accumulated depreciation			
	1 Jan 2017 R'm	Depreciation R'm	Disposals R'm	**31 Dec 2017 R'm**
Computer equipment	0.1	–	–	**0.1**
	0.1	–	–	**0.1**

	Net book value	
	31 Dec 2017 R'm	31 Dec 2016 R'm
Computer equipment*	**–**	–
	–	–

	Cost			
	1 Jan 2016 R'm	Additions R'm	Disposals R'm	31 Dec 2016 R'm
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

* *Nil due to rounding*

	Issued share capital		Proportion held directly or indirectly		Interest of holding company				
					Shares		Loans receivable		
	31 Dec 2017 R	31 Dec 2016 R	**31 Dec 2017 %**	31 Dec 2016 %	**31 Dec 2017 R'm**	31 Dec 2016 R'm	**31 Dec 2017 R'm**	31 Dec 2016 R'm	Principal activity
4. Investments in and loans to subsidiaries									
Direct:									
The Independent Institute of Education (Pty) Ltd	**2**	2	**100**	100	**101.2**	101.2	**548.3**	723.0	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	**250.0**	70.0	2
Indirect:									
ADvTECH Kenya Ltd	**2**	–							
ADvTECH Mauritius Ltd	**123 367**	–							
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**	1 000	**100**	100					1
Central African Correspondence College (Zambia) Ltd (c)	**12 344**	–	**51**	–					4
Charterhouse Private Schools (Pty) Ltd	**100**	100	**100**	100					1
Credo Business College (Pty) Ltd (Previously Oxbridge Training Institute (Pty) Ltd)	**100**	100	**51**	26					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					4
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**	100	**51**	51					1
Oxbridge Corporate (Pty) Ltd	**100**	100	**31**	31					4
Oxbridge Corporate ETD (Pty) Ltd	**10 000**	10 000	**51**	51					4
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					5
The Private Hotel School (Pty) Ltd	**100**	–	**80**	–					1
Ubiquity Open Academy Holdings (Pty) Ltd	**20 408**	–	**51**	–					2
UOA Zambia Investments Ltd (c)	**15 000**	–	**51**	–					2
University of Africa Ltd (c)	**100 000**	–	**51**	–					1
VirtuallyHR (Pty) Ltd	**120**	120	**51**	51					3
					658.4	658.4	**834.8**	829.5	

1 *Independent provider of education.*
2 *Investment holding company.*
3 *Recruitment, placement and temporary staffing company.*
4 *Dormant company.*
5 *In the process of deregistration.*

Results of subsidiaries so far as they concern members of the company: Aggregate profit after taxation R369.3 million (2016: R372.4 million). All companies are incorporated in the Republic of South Africa except as indicated (a) Mauritius (b) Botswana (c) Zambia.

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 approximates their fair value.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 31 December 2017 *(continued)*

	Audited 2017 R'm	Audited 2016 R'm
5. Trade and other receivables		
Other receivables	**35.1**	5.3

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.

6. Stated capital

Authorised

1 000 000 000 shares of no par value (2016: 1 000 000 000 shares of no par value)

	Number of shares 2017 'm	Stated capital 2017 R'm	Number of shares 2016 'm	Stated capital 2016 R'm
Issued				
Balance at 1 January	**544.4**	**1 481.9**	530.8	1 292.7
Shares issued	**–**	**–**	13.6	190.7
Share issue costs		**–**		(1.5)
Balance at 31 December	**544.4**	**1 481.9**	544.4	1 481.9

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.

	Audited 2017 R'm	Audited 2016 R'm
7. Trade and other payables		
Trade payables and accruals	**3.2**	4.4

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.

8. 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.

9. 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 2017 were utilised and amounted to R1 513.7 million (2016: R1 175.0 million). (See notes 25, 26 and 33 of the consolidated financial statements).

Refer to note 37 of the consolidated financial statements in respect of an additional contingent liability.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 31 December 2017 *(continued)*

	Note	**Audited 2017 R'm**	Audited 2016 R'm
10. Notes to the statement of cash flows			
10.1 Cash utilised in operations			
Profit before taxation		**174.6**	149.6
Adjust for dividends received		**(180.0)**	(150.0)
		(5.4)	(0.4)
10.2 Movement in working capital			
Decrease in trade and other receivables and prepayments		**0.9**	8.0
Decrease in trade and other payables		**(1.2)**	(10.7)
Decrease in working capital		**(0.3)**	(2.7)
10.3 Taxation paid			
Balance at beginning of the year		**–**	(2.1)
Current charge	2	**–**	–
Taxation on equity item		**(4.6)**	–
Balance at end of the year		**4.6**	–
Cash amount paid		**–**	(2.1)
10.4 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		**–**	–
10.5 Dividends paid			
Balance at beginning of the year		**(1.0)**	(0.8)
Declared during the year		**(182.3)**	(160.8)
Balance at end of the year		**1.2**	1.0
Cash amount paid		**(182.1)**	(160.6)

11. Related party transactions

ADvTECH Limited performed certain administrative services for its wholly owned subsidiaries The Independent Institute of Education (Pty) Ltd and ADvTECH Resourcing (Pty) Ltd for which management fees of R7.0 million (2016: R6.3 million) and R1.8 million (2016: R1.6 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 69.

SHAREHOLDERS' ANALYSIS

at 31 December 2017

Range of shareholding	Number of shareholders	% of shareholders	Number of shares	% of total shares
1 to 10 000	10 220	85.9%	17 280 532	3.2%
10 001 to 100 000	1 272	10.8%	36 720 530	6.7%
100 001 to 1 000 000	313	2.6%	103 989 482	19.1%
more than 1 000 000	89	0.7%	386 377 986	71.0%
	11 894	**100.0%**	**544 368 530**	**100.0%**

To the best knowledge of the directors and after reasonable enquiry, as at 31 December 2017, the spread of shareholders was as follows:

Shareholder spread

ADvTECH Share Incentive Scheme	1	0.0%	8 804 888	1.6%
Directors (including prescribed officers and subsidiary directors)	12	0.1%	14 885 682	2.7%
Non-public shareholding	13	0.1%	23 690 570	4.3%
Public shareholding	11 881	99.9%	520 677 960	95.7%
Total of all shareholders	**11 894**	**100.0%**	**544 368 530**	**100.0%**

Major shareholders

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

	Shares held	
	Number	%
Government Employees Pension Fund	60 282 048	11.1%
CitiGroup (Custodian)	51 383 418	9.4%
Old Mutual group	41 148 031	7.6%
Coronation Fund Managers	34 765 703	6.4%

Share information

	2017	2016	2015	2014	2013
Closing price at period end (cents)	**1 750**	1 717	1456	870	657
JSE market price high (cents)	**2 075**	1 810	1482	966	725
JSE market price low (cents)	**1 451**	1 292	845	658	600
Total number of transactions on JSE	**103 675**	82 893	39 007	19 877	12 610
Total number of shares traded	**237 816 712**	252 534 798	171 532 921	86 044 866	119 944 745
Total value of shares traded (R)	**4 250 477 901**	3 796 373 545	1 966 962 284	694 794 222	789 563 625
Average price per share (cents)	**1 773**	1 525	1 115	807	659
Shares in issue*	**544 368 530**	544 368 530	530 759 317	421 282 422	421 282 422
Percentage volume traded to shares in issue	**44%**	46%	32%	20%	28%
PE ratio	**25.3**	24.2	29.0	21.1	17.1

* *Shares in issue per JSE as at 31 December 2017.*

SHAREHOLDERS' DIARY

	2018
Dividend	
Declaration of dividend	Friday, 16 March
Announcement of annual results for 2017	Monday, 19 March
Last day to trade in order to participate in the dividend	Tuesday, 10 April
Trading commences ex-dividend	Wednesday, 11 April
Record date	Friday, 13 April
Share certificates may not be dematerialised and rematerialised between	Wednesday, 11 April and Friday, 13 April, both days inclusive
Dividend payment date	Monday, 16 April
Annual general meeting (AGM)	
Record date to receive notices	Thursday, 26 April
Last date to trade to be eligible to participate and vote at the AGM	Tuesday, 22 May
Record date to be recorded as shareholder	Friday, 25 May
Proxy forms to be received by 10:00	Tuesday, 29 May
AGM to be held at 10:00	Thursday, 31 May
Results of AGM published on SENS	Thursday, 31 May
Interim results	
Interim results for the six months ended 30 June 2018	Monday, 27 August

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