ADvTECH GROUP

2019

ANNUAL INTEGRATED REPORT

Academic excellence and value creation

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This report is an interactive PDF. It is best viewed in Adobe Acrobat for desktop, mobile or tablet.*

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* *Functionality may differ according to device and app version used*

NAVIGATING OUR REPORT

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ABOUT THIS REPORT

Report scope and boundary

We are pleased to present our annual integrated report for the year ended 31 December 2019. This report is our primary engagement with stakeholders and particularly aims to provide relevant information to shareholders when making investment decisions. It also provides concise material and reliable information on the group's strategy, performance, governance and prospects, while explaining our sustainable value creation.

Previously all our sustainability information was included in the group's integrated report. For this reporting period, we have included a summarised sustainability overview in the chief executive officer's report (see page 23). Read more about our corporate responsibility efforts in ADvTECH's corporate responsibility report, which is available on our website at: **www.advtech.co.za**.

Our reporting scope and boundary incorporates our group operations (school, tertiary and resourcing) in South Africa as well as operations in the rest of Africa. Our South African operations contribute 87% of ADvTECH's revenue while operations in the rest of Africa contribute 13%.

Reporting suite

Reporting frameworks

Our annual integrated report has been prepared in accordance with the International Integrated Reporting Council's (IIRC) Integrated Reporting <IR> Framework. To guide and inform our decisions during the preparation of this report, we applied the principles and requirements contained within various regulations, codes and standards (tabled below).

The annual financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS). Our commitment to integrated sustainability management and corporate responsibility is achieved by aligning our strategic objectives to the United Nations' Sustainable Development Goals (SDGs) – a shared blueprint for peace and prosperity for people and the planet, now and into the future.

Reporting frameworks, codes, standards and legislation

South African Companies Act No 71 of 2008	JSE Listings Requirements	King IV Report on Corporate Governance for South Africa 2016 (King IV)
International Financial Reporting Standards (IFRS)	Sustainable Development Goals (SDGs)	International Integrated Reporting <IR> Framework

ABOUT THIS REPORT continued

ABOUT THIS REPORT *continued*

Material matters

Our material matters (shown below) are those issues that could substantially impact our ability to execute our strategic priorities and create and sustain value over time. Depending on our internal and external operating environment, the importance of these matters can increase, decrease or remain consistent (see page 13).

- Academic excellence
- Research and development
- Prudent investment and expansion
- Challenging economic conditions
- Regulatory changes and bureaucratic delays
- An effective human resource strategy

Our approach to determining the group's material matters involves an assessment of our internal and external operating environment as well as stakeholder concerns. Internally, we consider our risks and opportunities, matters discussed at board and leadership operational committee level. Externally, we contemplate external factors including the economy, regulatory and fiscal environment and our social landscape, both locally and in the rest of Africa. We also assess the impact these matters have on our six capitals and strategic objectives over time. The board of directors' review and approve our material matters annually.

Learn more about our material matters

Assurance

The board ensures that our combined assurance model incorporates all assurance services and functions. This model ensures an effective control environment, supports the integrity of information used for internal decision-making by management, the board and its committees and supports the integrity of the integrated report. The combined assurance model is designed to effectively cover all our significant risks and material matters through a combination of assurance service providers and functions, including the board and board committees, management (executive leadership and operational management), external assurance providers and internal assurance providers (internal auditors, risk and compliance functions).

Board approval

The board acknowledges its responsibility for overseeing the integrity and completeness of this annual integrated report and has applied its collective mind to the contents of this report and is satisfied that it accurately represents the group's performance for the year under review. 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 2019 on 30 April 2020 and signed on its behalf by:

Roy Douglas
Group Chief executive officer

Chris Boulle
Chairman

Read more about our board

Report navigation

To illustrate connectivity throughout this report, we make use of various icons as depicted alongside. We are committed to reducing our environmental footprint and have therefore not printed any hard copy integrated reports. Our stakeholders are encouraged to view this report in an interactive PDF available on our corporate website at: **www.advtech.co.za** under the investor information tab. The complete annual financial statements and all supplementary reports are also available on our website.

Our strategic objectives

- Customer focus
- Growth
- Academic excellence
- Human capital productivity
- Educational productivity
- Capital productivity
- Excellence through specialisation

Learn more about our strategy

The six ADvTECH capitals taken into consideration

- Academic excellence, intellectual capital and governance
- Manufactured/ infrastructure capital
- People, culture and human capital
- Financial capital
- Social and relationship capital
- Natural capital

View our business model

Forward-looking statements

This report may contain forward-looking statements relating to the challenges and uncertainties the organisation is likely to encounter in pursuing its strategy as well as the potential implications for its business model and future performance. We cannot guarantee that any forward-looking statement will materialise and, accordingly, readers are cautioned not to place undue reliance on these forward-looking statements. The group disclaims any intention and assumes no obligation to update or revise any forward-looking statements.

ADvTECH remains committed to continuing our well-established path of excellence in academics, education, training, innovation and placements through our schools, tertiary and resourcing divisions.

CHAIRMAN'S LETTER

In these unprecedented times ADvTECH's priority is the safety of our students, colleagues and the greater community within which we operate. We also believe that during this period of extraordinary uncertainty, high quality teaching and learning must continue given its significant role as a driver of socio-economic development in South Africa and the rest of Africa.

The South African operating environment has been depressed for a prolonged period and has been characterised by a decline in business and consumer confidence and more recently a downgrade to our credit rating to non-investment grade. The decision taken by Fitch Ratings and Moody's Investor Service could not have come at a worse time for the country than during the period when our economy battles with the disruptive impact of COVID-19. These factors will significantly increase pressure on South African consumers and impact our business and operating environment. Despite these adverse factors, the group remains resilient, continues to deliver a majority of its services during the lockdown, delivered a solid financial performance in the last financial year (see page 5) and continues to make good progress against its strategic intent (see page 15).

It was particularly encouraging, especially under these challenging conditions, to see that external research* confirmed that ADvTECH continues to develop in line with the growing need for private education in South Africa. The research further added that our tertiary offerings closely match the real-world skills required by industry.

ADvTECH remains committed to continuing our well-established path of excellence in academics, education, training, innovation and placements through our schools, tertiary and resourcing divisions. We embrace our role of building a foundation for Africa's prosperity and success by equipping our students and customers to become future leaders with the competencies to grow the economy, enrich people's lives and make a difference in our society.

We are mindful of our responsibility to constantly evaluate our customer value proposition to ensure that we remain relevant within the context of prevailing market conditions and demand. This is why we are growing our presence in new markets and the mid-fee school sector and continue to expand into the rest of Africa as well as why we concluded the IIE MSA acquisition.

While our tertiary division maintained its excellent performance, our schools division was impacted by ongoing restructuring and rationalisation activities, emigration and financial hardships. The resourcing division remains highly cash generative but the tough market conditions impacted their financial performance, particularly in South Africa. Positively, in the rest of Africa our resourcing division achieved good revenue growth.

* *Source: Centre for Risk Analysis, Socio-economic Survey of South Africa 2020.*

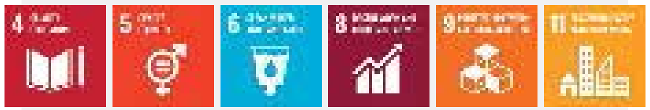
CHAIRMAN'S LETTER continued

CHAIRMAN'S LETTER continued

Africa continues to face many social challenges including poverty, hunger and epidemics such as HIV/Aids, COVID-19 and TB. As a group it is important to be mindful of these challenges facing the communities where we operate. ADvTECH's main contribution to uplifting communities is through bursaries and over the past four years ADvTECH has awarded bursaries to the value of R611 million. Apart from direct financial support, the group (including employees and learners) supports 655 corporate social investment outreach projects. These projects are directed towards education interventions in disadvantaged local communities where education plays an important role in promoting equality and is an enabling factor to transforming society.

Our employees uphold ADvTECH's reputation and commitment to quality and are integral to our success. On behalf of the board, I extend our thanks and gratitude for their valued contribution and ongoing dedication in delivering the highest standards of excellence to all our stakeholders.

We are also proud to present our inaugural standalone sustainability report, which we have termed our corporate responsibility report. Our sustainability performance continues to evolve and demonstrate alignment with the United Nations Sustainable Development Goals (SDG) – notably quality education (SDG 4), gender equality (SDG 5), clean water and sanitisation (SDG 6) decent work and economic growth (SDG 8) industry, innovation and infrastructure (SDG 9) and sustainable cities and communities (SDG 11).



Read more in the corporate responsibility report under stakeholder engagement

While ADvTECH embraces these SDGs, educational excellence is at the core of the group's strategy. Without quality education most SDGs would not become a reality. Part of ADvTECH's strategy includes sustainable education in the form of the group's blended learning model. This blended model encompasses an all-round learning experience for students that includes global competencies such as thinking, researching, communicating, social skills and self-management as well as digital literacy that incorporates STEAM* disciplines. The group also commits financial resources to upskill teachers and lecturers, so they can equip learners for their respective career paths.

In the current challenging socio-economic environment, ADvTECH remains prudent in allocating and conserving capital. The group is prioritising investments to maximise returns and to create a dynamic business, both locally and in the rest of Africa.

COVID-19 has tested our resilience and adaptability to change and forced us to implement our emergency response plan to keep our students and stakeholders safe. Technology has been effectively leveraged to ensure minimal disruption to academic operations and continued academic excellence.

While satisfied with management's plans to cope with the impact of COVID-19, it was nevertheless decided that it would be prudent to delay the dividend decision to May, where a share buy-back in lieu of a dividend will also be considered in light of the low share price. Please refer to the Commercial directors report on page 43 for more detail.

* *Science, Technology, Engineering, Arts and Mathematics.*

I would like to take this opportunity to thank Professor Brenda Gourley for her 12 years of service and Professor Jonathan Jansen for his 15 years' service as independent non-executive directors on the board. Their insights and contributions have been valuable, and we wish them both well in their future endeavours as they step down from their roles in 2020.

The board would like to welcome Kone Gugushe and looks forward to her contribution going forward. We also express our appreciation to the CEO and the executive leadership in executing the group's strategy.

Thank you also to my colleagues on the board for their invaluable input, wise counsel and support throughout the year, especially with regards to the steadfast manner in which they continued to confront head-on and address the challenges of a business in these uncertain times.

And finally, thank you to all our stakeholders for their continued support and engagement.

Sincerely

Chris Boulle
Chairman

30 April 2020

Read more about our board

HIGHLIGHTS

Unrelenting focus on quality of our academic programmes

Our continued commitment to delivering value to our customers and stakeholders

Schools division

- Strong revenue growth in the rest of Africa and a significant increase in our presence in the mid-fee sector
- Improved profit performance from SA schools

↑5% STUDENT NUMBERS 2020

Organic enrolment growth

University/tertiary division

- Another excellent performance
- Remains well positioned

↑13% STUDENT NUMBERS 2020

The IIE is SA's leading "Private University"

Resourcing division

Alternative markets payoff with a 3% growth in placements in the rest of Africa

FINANCIAL PERFORMANCE

↑10% STUDENT ENROLMENTS

↑18% PROFIT FOR THE YEAR

↑8% NORMALISED EARNINGS PER SHARE

↑16% REVENUE

↑20% HEADLINE EARNINGS PER SHARE

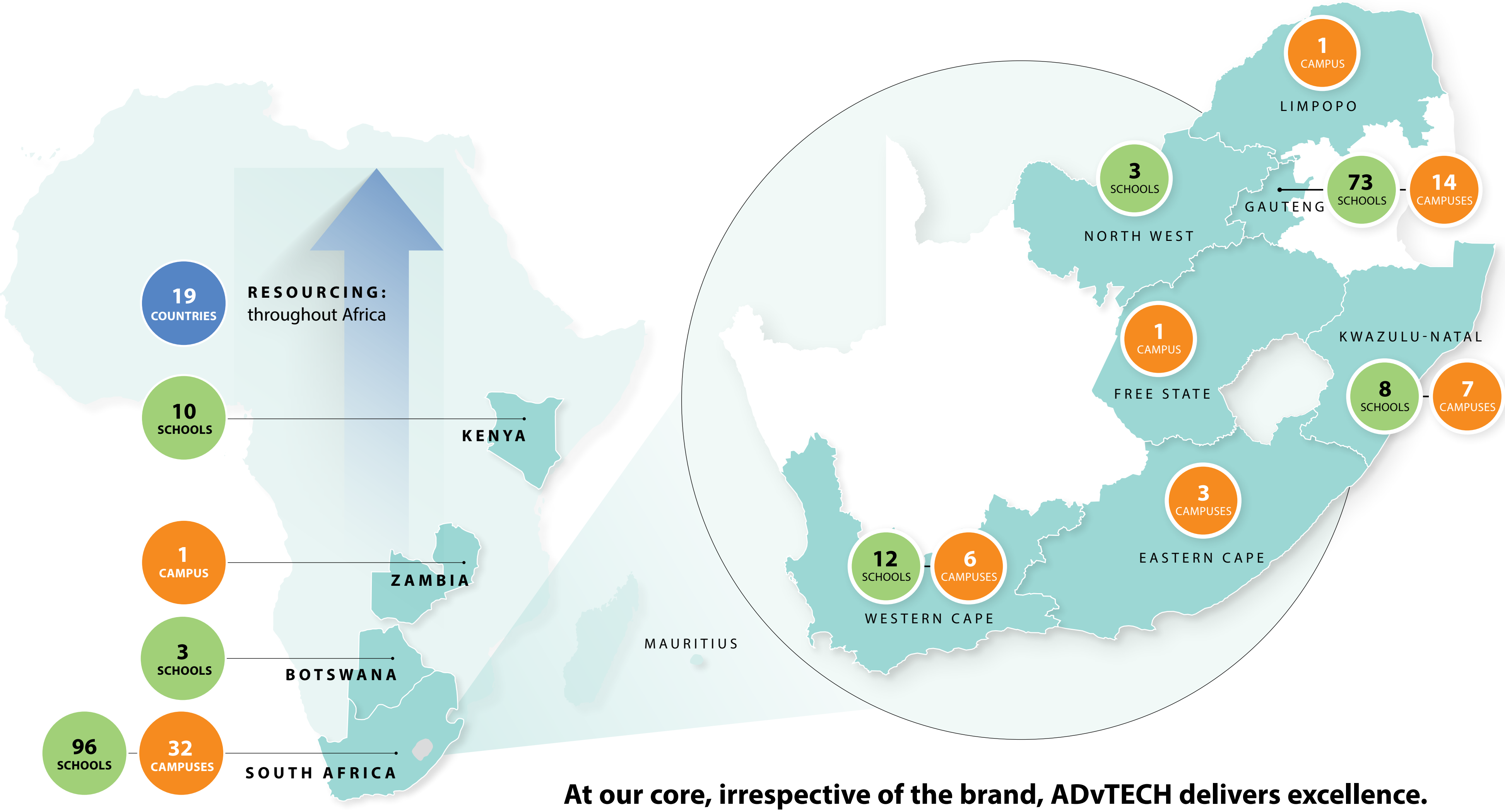
↑8% OPERATING PROFIT

	Percentage change	2019	Restated 2018
Revenue (R'm)	16%	**5 108.0**	4 389.0
Earnings Before Interest, Taxation, Depreciation and Amortisation (EBITDA) (R'm)	8%	**1 173.6**	1 083.8
Operating profit before interest and non-trading items (R'm)	8%	**869.1**	808.2
Profit before taxation (R'm)	15%	**660.8**	576.7
Shareholders' equity (R'm)	9%	**3 420.3**	3 123.7
Total assets (R'm)	14%	**7 644.0**	6 725.8
EBITDA margin (%)		**23.0**	24.7
Net asset value per share (cents)	9%	**623.2**	571.5
Free operating cash flow before capex per share (cents)	1%	**106.4**	105.1
Headline earnings per share (cents)	20%	**86.0**	71.4
Diluted headline earnings per share (cents)	20%	**86.0**	71.4
Normalised earnings per share (cents)	8%	**85.2**	79.0
Diluted normalised earnings per share (cents)	8%	**85.2**	79.0
Number of employees (at year-end)	4%	**7 876**	7 549

OUR PRESENCE IN AFRICA

Founded in 1978, the ADvTECH group is South 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 divisions as two separate education divisions, and resourcing as a third division.



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

OUR OPERATING ENVIRONMENT

ADvTECH's schools, tertiary and resourcing divisions have adapted to the prolonged South African economic downturn, exacerbated by the yet unknown extent of the global impact of COVID-19.

Over the past five years, ADvTECH has committed significant resources to sharpen our brand position, adapt and respond to new growth opportunities, improve customer service and improve our operational effectiveness and efficiencies.

These initiatives, as well as the group's resilience, prudent approach and ability to adapt and respond to growth opportunities, have meant that ADvTECH has continued to produce positive results in a challenging environment.

The South African operating environment has been characterised by depressed GDP growth, the lowest business confidence in 21 years and subdued economic activity due to power outages and more recently the nationwide COVID-19 lockdown and the ratings agencies downgrades.

Our strategic decision to expand our footprint in the rest of Africa allows us to continue extending our high-quality offering in growth markets outside South Africa. The response to our offering has been positive as can be seen from enrolment figures at both the Makini group of schools and the Crawford International School in Kenya. Our East-African operations have benefited from the renewed governmental commitment to fiscal growth, improved private sector consumption and a pick-up in industrial activity.

View our presence in Africa

The tertiary division, and the private education sector in general, has benefited from the watershed Constitutional Court ruling in December 2019. The apex court found that private higher education institutions, like The Independent Institute of Education (IIE), whose character and programmes meet the constitutional and statutory requirements of an equivalent public institution, should be regarded as equal.

The landmark development was spearheaded by ADvTECH and our higher education brand, the IIE's Varsity College. In effect, the judgement makes it clear that graduates from the IIE can, and should, enjoy equal access to the professions for which they studied. Further, the public can continue to enjoy the confidence they have in the growth of the private education sector and the contribution it must make.

Read more about the IIE

The resourcing division continues to focus on the new skills required in a changing world albeit in a local operating environment hindered by high unemployment levels. In South Africa, the continuing challenging economic conditions have prompted us to focus on increasing our presence in the temporary placements sector as the permanent placements sector declined.

Read more about the resourcing division

ADvTECH continues to lead the way in the education sector, delivering the quality that parents and stakeholders seek and respond to.

Read more about our approach to academic excellence

Importantly, the general public, who want the best education for their children, are beginning to appreciate that there are clear differences in quality between the various private education providers. Perceptions regarding affordability are also changing. While fees are at times higher at private institutions, the quantum of the difference is not always as significant as assumed, particularly when success rates and other differentiators are taken into consideration.

Our tailored approach to education and investment in state-of-the-art campuses, up-to-date teaching and learning methodologies and professional academic staff has resulted in a steady increase in student numbers in our schools and tertiary divisions.

OUR BUSINESS MODEL AND VALUE CREATION

INPUTS

Capitals

Academic excellence, intellectual capital and governance
- 27 brands
- Accredited curriculums
- IIE accreditation
- IT systems
- Academic research and development
- Academic integrity

People, culture and human capital
- 7 876 employees
- R21 million invested in employee training and development
- Professional, passionate employees
- Talent management and succession programmes

Social and relationship capital
- 77 345 students
- Tertiary campuses' student bodies
- CSI: Advantage Trust
- Bursaries
- Key stakeholders

Manufactured/ infrastructure capital
- 142 education sites
- Digitally enabled campuses
- Dedicated properties team
- Educational facilities design specialists

Financial capital
- R1 192 million operating cash flows
- R581 million increase in debt
- R320 million invested in acquisitions
- R681 million in capex

Natural capital
- Energy efficiencies, water saving and recycling projects
- Community upliftment projects
- Environmental education

BUSINESS ACTIVITIES

SCHOOLS
- Developing and enhancing the teaching and learning environment
- Developing a new curriculum for assisted learning
- Increasing digital new age technology facilities
- Benchmarking our performance, locally and internationally
- Investing in IT systems (learning analytics student information system)

TERTIARY
- Developing academic qualifications
- Ensuring constructive alignment between all curriculum aspects
- Growing postgraduate programme offerings
- Benchmarking our performance, locally and internationally
- Enhancing technology supported teaching and learning both contact and distance
- Focusing on graduate employability

RESOURCING
- Focusing on the key niche placement areas of: Finance, ICT, Engineering, Supply chain, Logistics, Freight
- Payroll management and contracting placements

GROUP SUPPORT SERVICES
- Geographic expansion – organic and acquisitive
- Improving efficiencies and cost savings
- Finance and administration
- Properties and facilities management
- Marketing and communication
- Group shared services
- Governance, legal and compliance
- Central academic research and development

OUTPUTS

Academic excellence

SCHOOLS

TERTIARY

RESOURCING

Successful placements

Solid return on investment
•
World-class innovation and research
•
Strategic investment and growth
•
Sustained income
•
Academic leadership
•
Strong customer value proposition and focus

Read more about our approach to academic excellence

Statement of purpose

MATERIAL MATTERS
- Academic excellence
- Prudent investment and expansion
- Regulatory changes and bureaucratic delays
- Research and development
- Challenging economic conditions
- An effective human resource strategy

Robust corporate governance and risk management • Stakeholders • External and internal operating environment • Regulatory environment

Read more about our capitals

Read more about our material matters

OUR BUSINESS MODEL AND VALUE CREATION

continued

OUTCOMES

(based on strategic objectives)

Academic excellence

- IEB matric pass rate, 100%
  1 582 matrics
  2 910 distinctions
- IIE graduates up 23%
  7 155 IIE graduates in 2019
- Total of 197 accredited tertiary division courses (including 34 from IIE MSA)

Growth

- Geographic expansion into Africa
- Organic growth in schools and tertiary divisions
- New product offerings:
  7 new qualifications offered in 2020 and
  44 qualifications in pipeline pending accreditation
- Digital offering expanded

Educational productivity

- Effective teacher to student ratios for optimal learning
- Optimised organisational processes and structures

Human capital productivity

- R21 million invested in employee development and training
- R2 323 million in salaries and benefits paid to employees

Capital productivity

- R1 billion invested in expansion projects
- Disciplined approach to capital allocation
- Prioritise investments to maximise returns on investments

Customer focus

- 2 414 job candidates placed during 2019
- Increased our mid-fee offering
- Repositioning and rebranding of schools
- Increased customer satisfaction surveys and improved results

Resourcing division – excellence through specialisation

- Alternative markets pay off as placements increase with 3% in the rest of Africa
- Solid performance from division in a tough market

Read more about how we performed against strategic objectives

ADvTECH GROUP

Impacts the economy and society by:

Supporting South Africa's transformation goals

Supporting economic growth through taxes and jobs created

Uplifting and developing society in line with the UN SDGs

Read more in the corporate responsibility report

OUR STRATEGY

Academic excellence is at the very heart of our strategy and central to value creation. We pride ourselves in being South Africa's largest private education provider and a continent leader in quality education, training, skills development and placement. This is achieved through our three business divisions schools, tertiary and resourcing, all of which are underpinned by our purpose and values.

Our brands

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 a 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.

Schools

10 BRANDS

Representation:
SOUTH AFRICA, BOTSWANA, KENYA

R2 226 million
Revenue contribution

Read our schools division overview

Tertiary

9 BRANDS

Representation:
SOUTH AFRICA, ZAMBIA

R2 145 million
Revenue contribution

Read our tertiary division overview

Resourcing

8 BRANDS

19 COUNTRIES
Throughout Africa

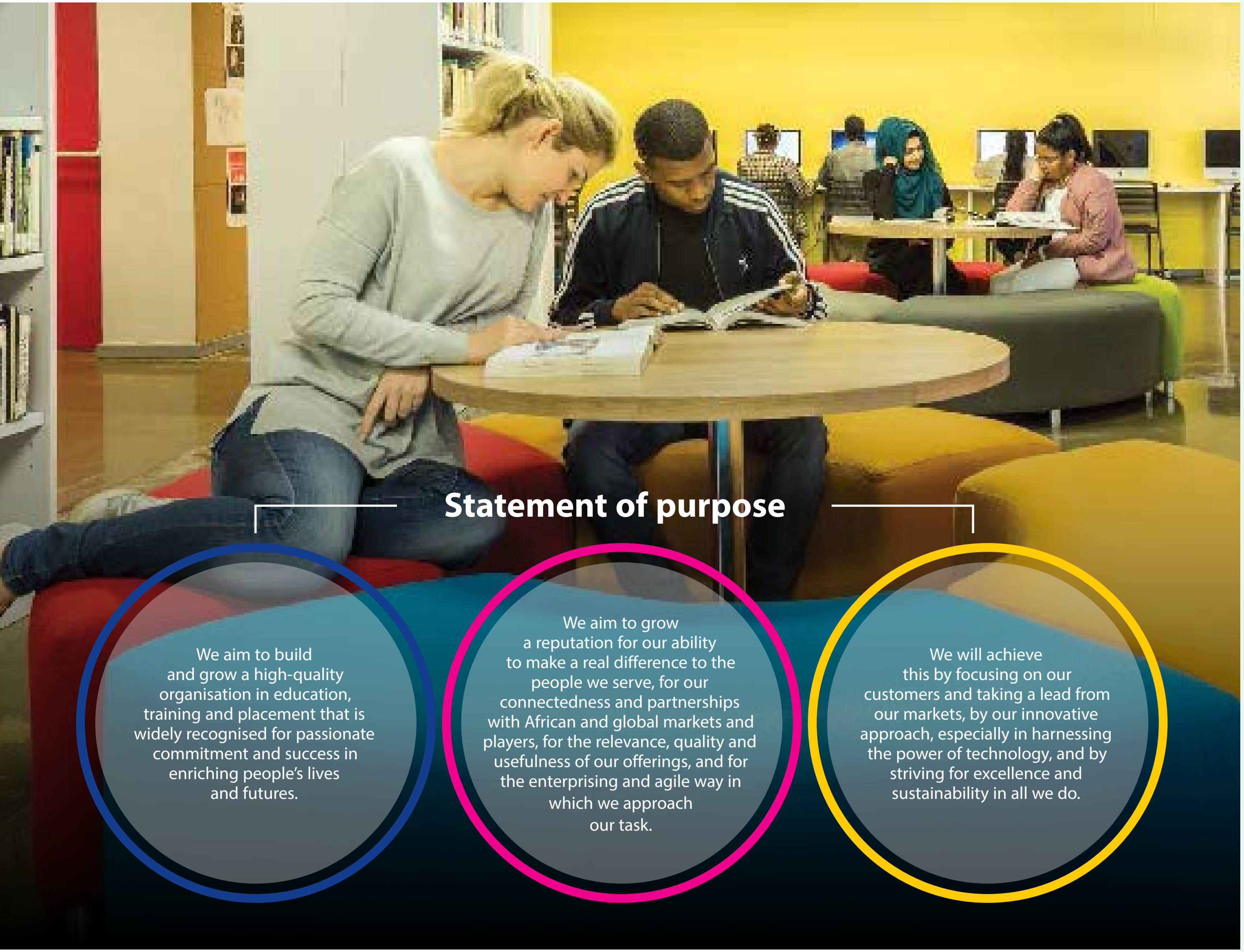
ALTERNATIVE MARKETS
Payoff

R741 MILLION
Revenue contribution

Read our resourcing division overview

OUR STRATEGY continued

OUR STRATEGY continued



Statement of purpose

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

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

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

Our 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.

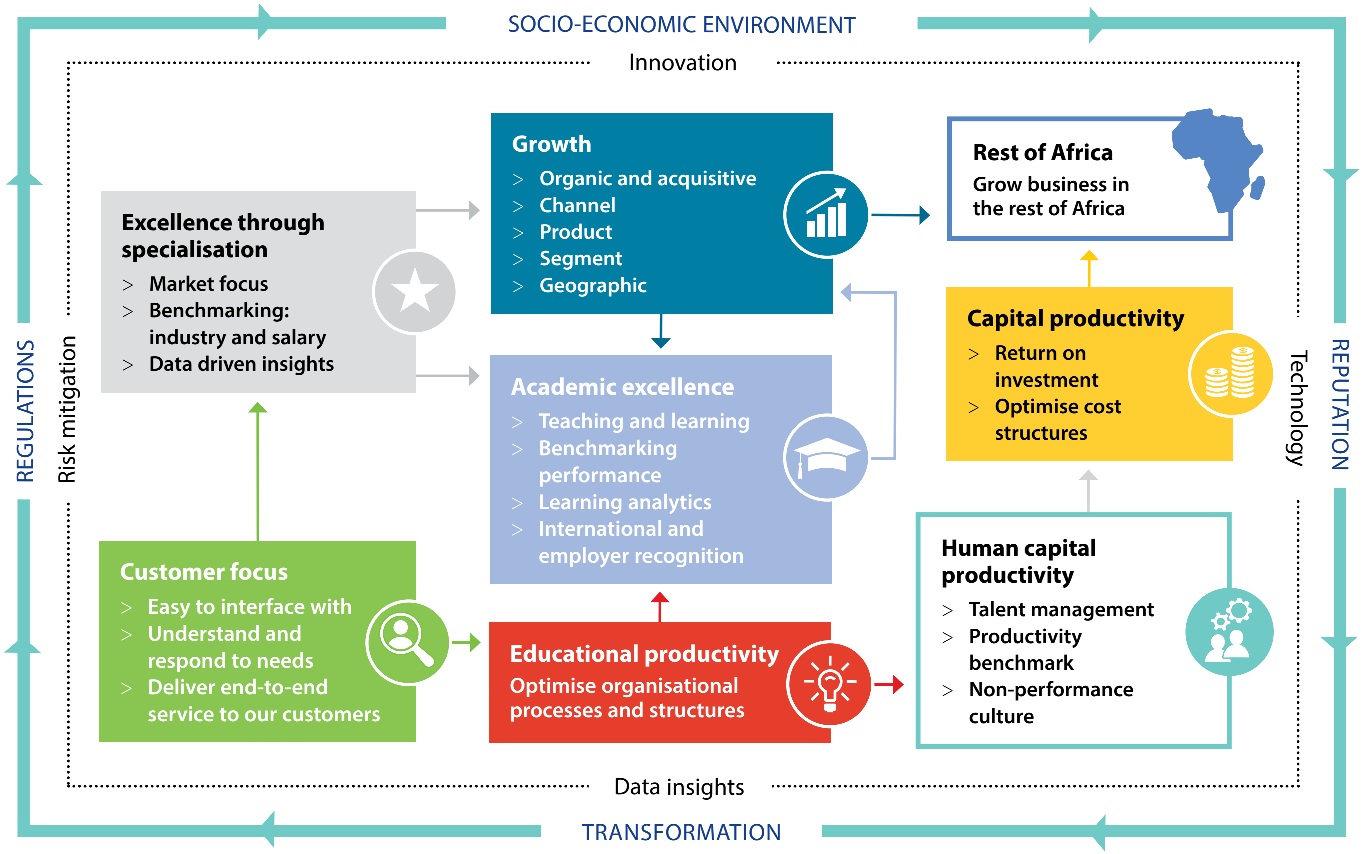
OUR STRATEGY continued

Our strategic objectives

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. Towards the end of 2019, we evolved our strategic objectives to better reflect our strategic journey.

When refining our strategic objectives, our employees shifted their focus onto 'educational productivity' in order to sharpen our operational focus and allow for improved academic output and benchmarking. As our business is centred on people, we have separated the human and capital productivity strategic objectives to enhance the focus on each area. Innovation is now embedded throughout all strategic objectives and excellence through specialisation is incorporated within all strategic objectives.

Our revised strategic objectives (academic excellence; excellence through specialisation; customer focus; growth; educational productivity; human productivity and capital productivity) are the building blocks upon which we focus to achieve the group's strategy. We appreciate that these strategic objectives are influenced by our internal (risks and opportunities and material matters), and external (regulation and socio-economic environment) operating environment as well as our key stakeholders. These objectives are core to guide our business and require ongoing innovation and data insights to maintain our respected reputation. Progress against our strategic objectives is shown on page 15.



Read about how we delivered against strategic objectives

OUR STRATEGY continued

Material matters

Our material matters are those issues that could substantially impact the group's ability to execute our strategic objectives and create value for our stakeholders over time. The material matters tabled below have been identified and are discussed throughout the annual integrated 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.

Research and development

of academically sound methods and processes is critical to ensuring every student and job candidate has the best chance at success. We invest significant resources into research and development.

Challenging economic conditions

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

Regulatory changes and bureaucratic delays

could impact our ability to obtain licensing and accreditation approval, thereby affecting our expansion 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.

Deteriorating (increasing impact)

Neutral

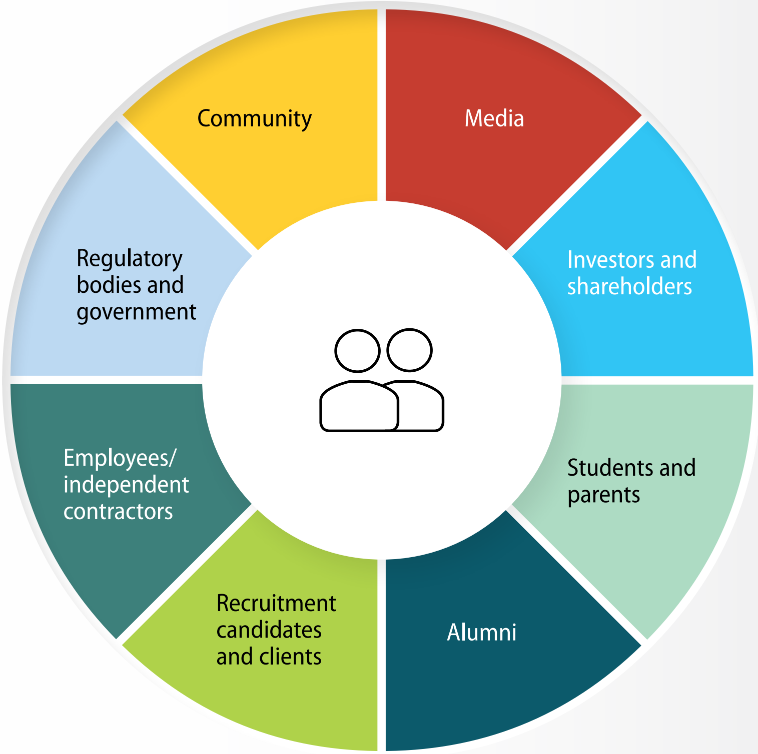
Improving (decreasing impact)

View our business model

Our key stakeholders

Our key stakeholders are individuals, groups or organisations who contribute to and who are, or could be, impacted by the group's activities, products or services. They hold us accountable for our activities. The key stakeholder groups with whom we interact regularly as well as their roles are depicted below.

Read more in the corporate responsibility report under stakeholder engagement



OUR STRATEGY continued

Our capital enablers

Our capital resources are interlinked in value creation. We appreciate the need to balance the trade-offs between the deployment of our capitals to ensure the future sustainability of our business.

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. Our 27 brands are our key differentiators. They remain strong and continue to attract students and clients based on their specific well-defined value propositions and offerings.

Manufactured/infrastructure capital

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.

Human capital

Most 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 attract and retain high-calibre staff. Our employees are passionate and committed to quality and excellence, which assists in creating and maintaining confidence in our value proposition.

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.

Social and relationship capital

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. This instils a culture of respect. We also aim to instil corporate citizenship and a sense of community by giving back to the communities through our outreach projects within the areas in which we operate.

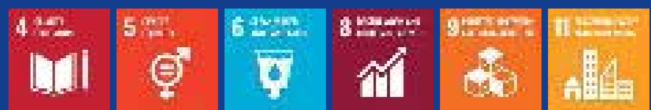
Natural capital

We rely on natural resources such as land, energy and water to run our operations and are mindful 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.

View our business model

Integrating sustainable development goals

As part of our commitment to integrated sustainability management, we embrace the 17 UN Sustainable Development Goals (SDGs) by aligning our business and brands. To achieve maximum impact, we focus on the SDGs depicted alongside.



Read more in the **corporate responsibility report**

PROGRESS AGAINST 2019 STRATEGIC OBJECTIVES

Read more about our targets in the Remuneration committee report

Strategic objective	How we action strategic objectives	Progress in 2019
Academic excellence Read more in academic excellence	› Remaining up to date with developments in pedagogy and supporting tools, including technology › Implementing solutions that will drive improved academic performance › Continuously measuring performance through internal and external benchmarking › Using learning analytics to enable responsiveness and goal setting › Seeking international and employer recognition for our institutions, programmes and graduates	**SCHOOLS** ✓ Excellent matric results – 100% IEB pass rate ✓ Support and workshops for principals and teachers ✓ International recognition of academic excellence Read more in the schools division overview **TERTIARY** ✓ 125 DHET accredited IIE courses ✓ 197 courses in total (including 34 IIE MSA qualifications) ✓ 7 new DHET registered and CHE accredited IIE qualifications to be offered 2020 ✓ 85% (2018: 82%) average module pass rates (excluding supplementary results) ✓ 26% (2018: 22%) average module distinction rate (excluding supplementary results) ✓ The IIE remains accredited with the British Accreditation Council (BAC) ✓ School of Education opened at Rosebank College ✓ Accolades received by Vega, Capsicum and The Private Hotel School ✓ 25 172 (2018: 21 104) total IIE graduates for the last five years Read more in the tertiary division overview
	Graduate placement Actively ensuring that our academic offerings have 'real world' application and that students are immediately employable Read more about our Graduate placement programme in the tertiary division overview	**Graduate placement** ✓ 16 847 students placed in employment since 2013 ✓ Varsity College and Rosebank College career centres placed 2 414 students in jobs during 2019 ✓ Most of the Private Hotel School and Capsicum graduates were employed after graduation
Customer focus	› Targeting high demand markets with specialist skills and with a continuously refreshed candidate database to ensure that we are best positioned to meet our clients' needs	**RESOURCING** ✓ Strong growth achieved in the rest of Africa ✓ Increased our market share in South Africa ✓ Continuous improvement in operating structures and client experience

Good progress   Satisfactory progress   Limited or no progress

View our strategic objectives

PROGRESS AGAINST 2019 STRATEGIC OBJECTIVES continued

View **our strategic objectives**

Read more about our targets in the Remuneration committee report

Human and capital productivity

Strategic objective	How we action strategic objectives	Progress in 2019
Growth	› Expanding our existing brands organically and through strategic acquisitions › Identifying new market segments to enter › Exploring new channels to market and developing new products › Expanding geographically, including in the rest of Africa Read more in the CEO report	**South Africa** ✓ Strong organic growth in schools mid-fee brands and tertiary division ✓ Repositioning and rebranding 12 existing schools to the mid-fee Pinnacle brand offering ✓ Opened 9 new schools on 3 campuses in 2020 – 6 mid-fee and 3 premium-fee ✓ 8% increase in building capacity ✓ Opened two new Rosebank campuses **Rest of Africa** ✓ Enrolment growth in East Africa ✓ Diversifying revenue streams generated outside of South Africa ✓ Assess potential partnership which aims to acquire suitable schools across the continent and build a network of institutions known for their academic excellence in the mid-fee segment ✓ Actively assessing opportunities in the rest of Africa, with in-depth work done to identify and research markets and potential acquisitions
Human productivity	**Skills development** › Empowering employees with skills relevant to their current roles and future career aspirations Read more about our investment in people in the corporate responsibility report **Employee value proposition** › Creating conditions to attract critical skills and retain high-performing employees	**Skills development** ✓ R21 million (2018: R17 million) spent on employee training and conferences ✓ 184 (2018: 166) employees participated in development programmes: - 58 (2018: 109) Management toolkit - 17 (2018: 19) Management Development Programme (MDP) - 20 (2018: 20) Principals and deputy principals attended the Principal Development Programme (PDP) - 89 managers attending the new Master Classes ✓ Continued professional development for our academic staff **Employee value proposition** ✓ 721 (2018: 459) employees received a long service award ✓ Improved transformation and EE staff profile ✓ Annual performance-based increases and bonuses are awarded ✓ Further work was done during the year to update policies relevant to creating a culture of diversity
Capital productivity	› Identifying the most appropriate investment opportunities and leveraging the associated benefits › Protecting and enhancing the respective assets for the best returns Read more in the group commercial director report	› Redirected investment to existing facilities to improve the return on these assets › To facilitate growth, IIE MSA was acquired and capacity increased on existing school campuses › All capex plans are being reassessed given the uncertainty of COVID-19. Capex spend of R681 million (2018: R556 million)

Good progress   Satisfactory progress   Limited or no progress

PROGRESS AGAINST 2019 STRATEGIC OBJECTIVES continued

PROGRESS AGAINST 2019 STRATEGIC OBJECTIVES continued

View our strategic objectives

Read more about our targets in the Remuneration committee report

Innovation

Strategic objective	How we action strategic objectives	Progress in 2019
Customer centricity	› Proactively seeking to understand customer learning experience requirements and striving to simplify their business interactions with us	✓ Education brands provided with high-quality analytical reporting platform that generates actionable insights and management tools to drive best practice and individualised focus ✓ One system in place from kindergarten to postgraduate which enables data-driven decisions ✓ Service desk queries more effectively resolved using the new platform. The student information system is integrated via all websites to improve the customer experience ✓ Efficient and streamlined online registration process implemented
Product innovation	› Frequent product and market trend monitoring and interpretation that drives relevant and sustainable product development	✓ Repositioning and rebranding of 12 schools under the Pinnacle brand ✓ The Bridge Assisted Learning School's enrolments exceeded expectations ✓ The success of a pilot project introducing Grades 8 and 9 at Abbotts College has led to a national roll-out
Shared services and business improvement	› Building a trusted partnership that provides value-adding services to enable our education and resourcing communities to focus on their core functions of delivering the group's strategic imperatives	✓ Shared services and operational transformation are in progress, assisted by investment in technology and systems ✓ Improved efficiencies through lowering the cost base of operations, while also improving internal controls ✓ Greater operational efficiencies to drive improved administration and support service delivery ✓ Migrated and consolidated a variety of legacy systems, including acquired systems and data, to a single system and source of information ✓ Support functions successfully transitioned, or in progress, to shared services: - HR administration (schools division) - Payroll management - Travel management - Debtors management - Transactional finance ✓ Empower employees by providing a smart, flexible and secure workplace

Good progress   Satisfactory progress   Limited or no progress

RISK MANAGEMENT

The board oversees risk management in accordance with our strategy and the risk committee assists the board in monitoring and overseeing the group's risk universe.

Risk identification and management approach

Risk management is an integrated approach that involves board, leadership operating committees and operational management. The board evaluates and agrees the nature and extent of the risks that the group is willing to accept in pursuit of its strategic objectives and limit of potential losses that it is willing to accept. The board delegates to the group's leadership the responsibility of implementing and executing effective risk management in line with the risk policy and exercises ongoing oversight of risk management. Furthermore, the board receives periodic independent assurance on the effectiveness of risk management from its external assurance providers.

Risk approach

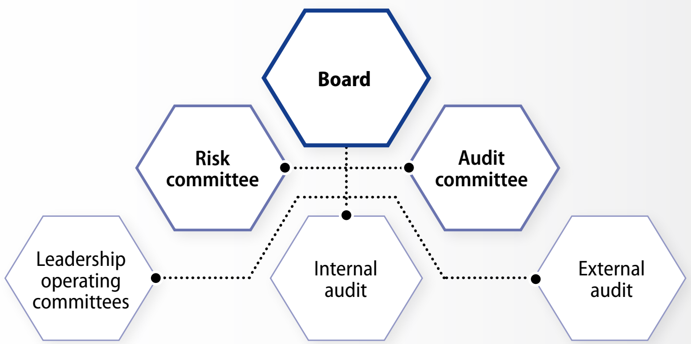
Risk appetite and tolerance levels:
Group risk appetite and tolerance levels are based on key measurements including financial, operational and reputational impacts of the risks.

		Responsibility
Step 1	IDENTIFY RISKS	Operational management committees
Step 2	CONSOLIDATE AND PRIORITISE RISKS	Leadership operating committees
Step 3	MONITOR RISKS	Leadership operating committees & Internal audit
Step 4	REPORT RISKS	Leadership operating committees
Step 5	INTERROGATE AND OVERSEE RISKS	Risk committee & Audit committee (financial risks)
Step 6	REVIEW INTEGRITY OF RISKS	Leadership operating committees, Internal audit & External audit

Risk governance

The graphic below depicts the risk governance structure within the group. The board has ultimate accountability for the group's risks and is supported by the risk committee. Owing to the interrelated function between the audit committee and the risk committee pertaining to the oversight of financial risks, the chairman of the audit committee is also an invitee at the risk committee in order to ensure alignment between the two committees. The combined assurance model provides comfort to the board and its sub committees (risk and audit) that the group's risks are subject to robust combined assurance. The oversight, management and assurance of risk management according to a combined assurance framework enables an effective internal control environment and supports the integrity of information used for internal decision-making, strategy development and business planning within the group.

The group continues to refine its approach to governing risk and in the current year we will seek an approach designed to improve on the strategies, policies, procedures and processes in place to address the nature and complexity of the risks and opportunities inherent in our business activities and our operating environment.



RISK MANAGEMENT continued

RISK MANAGEMENT continued

Significant risks

Our risk universe is currently being updated to align with the current environment, including the unprecedented COVID-19 pandemic facing the world at the time this integrated report was published.

Based on our risk identification process, the risks tabled below were identified as the most significant. Where possible we have identified opportunities arising from these risks, which will be considered and pursued where feasible.

Low risk · Medium risk · High risk

Risk	Risk rating	Impacted areas
Regulatory change/ uncertainty and bureaucratic process	Medium	Schools, Tertiary
Competition	Medium	Schools, Tertiary
Economic climate	High	Group
Return on investments	Medium	Group
Data breach or leak of sensitive information/ cyber security	Medium	Group
Transformation	Medium	Resourcing/Group
Pandemic – COVID-19	High	Group

Regulatory change/uncertainty and bureaucratic process

UNPACKING OUR RISK

Ideology impacting on education and our accreditation

- **Level of control:** Medium
- **Primary board committee:** Risk & audit
- **Key stakeholders impacted:** Regulatory bodies and government, investors and shareholders, students and parents, employees/independent contractors, community and environment

MITIGATING ACTIONS

Mitigation actions are in place and the business continues to do more work to ensure that it remains effective and efficient for mitigating the risk

- Continual review of current and new requirements and ensuring compliance and focusing on building relationships with regulators, and
- Focusing on accreditation, both locally and internationally and maintaining accreditation audits

Strategic objectives impacted

- Educational productivity
- Growth
- Academic excellence

OPPORTUNITY

Identifying optimal processes and continuously streamlining efficiencies and proactive regulatory engagement

View our material matters which are also impacted by this risk

Read more about our stakeholder engagement in the corporate responsibility report

RISK MANAGEMENT continued

Competition

UNPACKING OUR RISK

Increased competition from private education providers and/or public colleges and schools. Challenges in the public landscape

Level of control: Medium

Primary board committee: Audit and risk

Key stakeholders impacted: Regulatory bodies and government, investors and shareholders, students and parents, employees/independent contractors, community and environment

MITIGATING ACTIONS

Mitigating actions are considered adequate for managing this risk.

Current initiatives include:

- Continuously improving operational excellence and customer focus;
- Exploring new markets (both segments & geographies);
- Research and development of relevant technological and operational innovation;
- The brand product and value proposition strategy is continuously reviewed;
- Student acquisition and retention initiatives are continuously reviewed; and
- Competitive offerings are continually reviewed and acquisition propositions are made where appropriate

Strategic objectives impacted Growth Customer focus

OPPORTUNITY

New brand and product offerings

View our material matters which are also impacted by this risk

Economic climate

UNPACKING OUR RISK

Continual deterioration of economic climate preventing us from achieving strategic growth objectives

Level of control: Medium

Primary board committee: Audit and risk

Key stakeholders impacted: Investors and shareholders, employees/independent contractors, recruitment candidates and clients, students and parents

MITIGATING ACTIONS

Mitigating actions are considered adequate for managing this risk.

Current infinitives include:

- There is continual review of expenses and efficient use of capex and investments to maximise returns
- Fees are being reviewed in line with effectiveness and efficiency models
- Investments into better performing economies in the rest of Africa are being prioritised

Strategic objectives impacted Growth Capital productivity

View our material matters which are also impacted by this risk

OPPORTUNITY

Rollout of our mid-fee brand; seek investment opportunities in the rest of Africa, drive efficiencies to be able to deliver value to our customers

Low risk Medium risk High risk

RISK MANAGEMENT continued

Return on investment

UNPACKING OUR RISK

Risk of investments not performing to objectives/expectations (such as land identified in the wrong area, integration of new business not effective)

Level of control: High

Primary board committee: Investment

Key stakeholders impacted:
Investors and shareholders

MITIGATING ACTIONS

Mitigating actions are considered adequate for managing this risk.

Current initiatives include:

- Careful due diligence is undertaken in respect of the ongoing operations and new acquisitions through market research and financial modelling
- Integration plans and teams are in place to optimise the integration of acquisitions into the business
- Post investment analysis (consisting of corrective actions and lessons learnt) are undertaken by the Investment Committee

Strategic objectives impacted

- Capital productivity
- Growth

OPPORTUNITY

Allocation of funds to projects that maximise return on funds at the lowest risk. Ensure synergies are derived from acquisitions

View our material matters which are also impacted by this risk

Low risk Medium risk High risk

Data privacy

UNPACKING OUR RISK

Ensuring privacy of personal information is secured, preventing data security breaches and keeping abreast of and complying with new data privacy legislation

Level of control: High

Primary board committee:
Audit and risk

Key stakeholders impacted:
Investors and shareholders, employees/independent contractors, recruitment candidates and clients, students and parents

MITIGATING ACTIONS

Mitigating actions are considered adequate for managing this risk.

Current initiatives include:

- Increasing focus on information and technology risk management
- Our group technology department working closely alongside our business clusters to deliver on our technology journey
- Ensuring executive and board oversight, including increased focus on IT and digital discussions at board level and dedicated oversight by the audit and risk board subcommittees
- Strengthening our second-line-of-defence oversight on IT risk and performing group internal audits as a third-line-of-defence

Strategic objectives impacted

- Customer focus
- Growth

OPPORTUNITY

Positive reputation

View our material matters which are also impacted by this risk

RISK MANAGEMENT continued

Transformation

Read more about our transformation efforts in the corporate responsibility report

UNPACKING OUR RISK

Impacts on ability to source and retain business

Level of control: High

Primary board committee: Tsec and risk

Key stakeholders impacted: Investors and shareholders, employees, recruitment candidates and clients, students and parents

MITIGATING ACTIONS

Mitigating actions are in place and further work is required.

Current initiatives include:

- Opportunities for B-BBEE candidates are reviewed continuously in line with the business's plan to maximise the B-BBEE rating
- Existing plans are constantly monitored
- Key focus areas are currently included and measured as part of KPI's at executive and management level
- External expert advice on improving the BEE rating is currently sought

Strategic objectives impacted

Human capital & productivity
Growth

OPPORTUNITY

- Growth
- Employer of choice

View our material matters which are also impacted by this risk

Pandemic COVID-19

UNPACKING OUR RISK

Risk of pandemics like COVID-19 can have on our business

Level of control: Medium

Primary board committee: Audit and risk

Key stakeholders impacted: Students, parents, staff, independent contractors, suppliers, shareholders, community

MITIGATING ACTIONS

Mitigating actions are in place with more work being done on:

- Rapid deployment of an online teaching capability
- Establishment of an incident response team
- Risk assessment and incident tracking
- Compliance with state directives including closure of campuses and schools
- Communication and information campaigns
- Improvement of staff ability to work remotely
- Implementation of WHO and NICD protocols and advice including sanitation where required

Strategic objectives impacted

Excellence through specialisation
Growth
Human capital & productivity
Academic excellence
Capital productivity
Educational productivity
Customer focus

OPPORTUNITY

Showcasing our readiness to offer online learning to maintain academic excellence in the face of disaster and lockdown constraints

View our material matters which are also impacted by this risk

Low risk Medium risk High risk

The risk committee have monitored compliance with the policy and is satisfied that the group have, in all material respects, complied with the policy during the year under review.

The risk committee further confirms that there were no undue, unexpected or unusual risks taken outside of the agreed risk tolerance levels. Looking ahead, we will continue to improve our risk management frameworks and processes to ensure increased accountability across all our operations in order to track our performance against our strategy.

CEO'S REPORT

ADvTECH strives to create and deliver stakeholder value by delivering superior education, training and placement services through our various brands. We work hard to optimise our operational effectiveness and focus on efficiencies in order to deliver value to our customers.

Despite the difficult economic environment, demand for quality education remains strong and this bodes well for growth at both our schools and tertiary divisions.

Executive overview

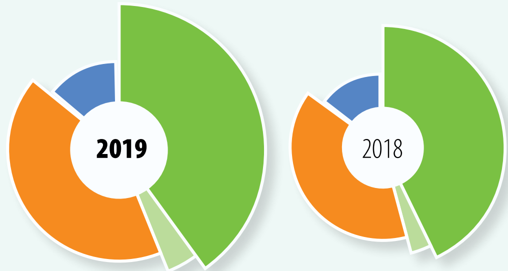
Financial

We continue to operate in an incredibly difficult environment with very low GDP growth, compounded by load shedding, high and growing levels of unemployment, the Moody's downgrade, as well as emigration affecting our schools division customer base. Business confidence is at its lowest in 21 years and the COVID-19 pandemic has brought about global uncertainty as people and businesses grapple with the impact of this virus.

Under these circumstances, the group recorded a credible financial performance with revenue and operating profit up 16% and 8% respectively. Profit for the year was up 18% and headline earnings per share rose 20%. The operating margin of our education business, excluding the recently acquired IIE MSA and Makini Schools as well as the recently established Crawford International Schools in Kenya, continues to increase, even with significant expansion over the past few years, and now stands at 21.8%.

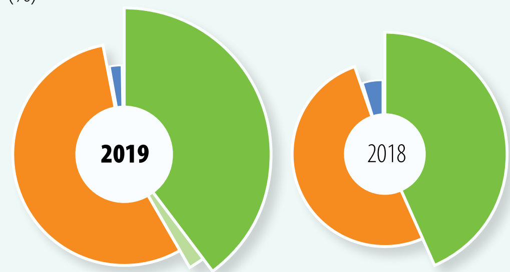
The schools division (South Africa and rest of Africa) contributed 44% to revenue, the tertiary division 42% and the resourcing division 14%.

Segmental revenue contribution
(%)



	2019	2018
Schools | South Africa	40%	43%
Schools | Africa	4%	3%
Tertiary	42%	39%
Resourcing	14%	15%

Segmental operating profit contribution
(%)



	2019	2018
Schools | South Africa	41%	43%
Schools | Africa	(2%)	0%
Tertiary	57%	51%
Resourcing	3%	5%

CEO'S REPORT continued

Despite the difficult economic environment, demand for quality education remains strong and this bodes well for growth at both our schools and tertiary divisions. We have worked hard at ensuring our portfolio of brands is correctly aligned and positioned to meet the needs of the respective target markets and we are pleased that this is reflected in the strong demand ADvTECH has experienced with our schools and tertiary divisions achieving 5% and 13% enrolment growth in 2020 respectively. This demonstrates that, despite difficult circumstances, parents and students still seek quality education offerings to ensure they have the best chance of success. The table alongside illustrates the enrolment growth in the last four years and highlights the overall growth in enrolments of 10% in 2020.

Group enrolments at the end February

	2016	2017	2018	2019	**2020**	% Increase
Schools	24 199	26 713	27 408	30 827	**32 370**	5%
Tertiary: Full Qualifications	29 138	33 463	36 136	39 629	**44 975**	13%
Subtotal	53 337	60 176	63 544	70 456	**77 345**	10%

Read the group's financial performance which is dealt with in detail in the group commercial director's overview

Operational

Our schools division recorded strong growth in the rest of Africa and significantly increased their presence in the mid-fee sector. The tertiary division continued its excellent performance, with revenue and operating profit increasing by 25% and 20% respectively. Our resourcing division continues to be impacted by the tough economic environment, with unemployment rates at 29% and rising. Despite these tough conditions, the division delivered a solid performance.

In previous years, the schools division experienced rapid growth and we are now consolidating that growth by focusing on the customer value proposition and specific initiatives to enhance operational effectiveness and efficiencies. These include establishing a shared services function that integrates our schools' key administrative functions to drive efficiencies while also improving internal controls and the use of technology to lower our back-office costs and streamline the group's internal processes.

Structural changes were made at executive and senior management levels that resulted in separate divisional leadership operating committees, including a group support services operating committee, being formed in order to optimise decision-making and streamline operations.

Read more on our leadership structures

The new student information system rolled-out across the entire schools division has enhanced our ability to track the academic progress of each student, provide valuable analytics to inform both academic and operational insights and enable an interactive portal for teachers and parents. This system will be deployed to our tertiary division over a two-year period, with the sales and marketing component being implemented in early 2020. As part of our strategic objective of customer focus, all aspects of our brands are being evaluated to ensure they align with their customer value propositions.

Our diverse portfolio of brands allows us to provide a differentiated offering to cater to different consumer needs, whether the focus is on affordability, modern contemporary, traditional and/or assisted learning. Our brands must continue delivering on their value proposition. In the schools division, extensive research was conducted to critically examine each brand to ensure they are correctly positioned to meet customer needs and have adapted our strategy accordingly. This included having to make some tough decisions around re-branding, re-positioning and closing schools where necessary. While ADvTECH's mid-fee offering continues to gain traction, our premium sector offering remains dominant. Good progress continues to be made in growing our offerings in Botswana and Kenya.

Read more in the schools division overview

New schools 2020

TRINITYHOUSE GLENVISTA

Premium positioning
Pre-Primary, Primary, High
Currently grades 000 - 9

Exceeded enrolment target by
99%
Anticipated to avoid J-curve and be profitable first year of operation

PINNACLE COLLEGE LINDEN

Mid-fee positioning
Pre-Primary, Primary, High
Currently grades 0 - 8

Exceeded enrolment target by
80%

PINNACLE COLLEGE WATERFALL

Mid-fee positioning
Pre-Primary, Primary, High
Currently grades 000 - 8

Exceeded enrolment target by
25%

Repositioned schools

Repositioned Pinnacle College Kyalami & Rynfield as mid-fee

- Exceeded enrolment targets
- Investment in facilities
- Clear value proposition

Merged

- Abbotts Century Gate with Abbotts Claremont effective 2020

Rebranded Maragon Ruimsig to Crawford International Maragon

- Very well received
- Enrolment exceeded expectations

Merged

- Junior Colleges Tiny Town and Crawford Village merged into Crawford International Bryanston

Our tertiary division has well-defined and differentiated brands that focus on specific target markets. This has been a key factor in their continued organic growth. Combined with their sharp market focus, efficient and robust operational systems and processes, the tertiary division has once again delivered excellent operating results.

A key highlight in the tertiary division was the integration of the recently acquired Monash South Africa (MSA), effective 1 April 2019, which has contributed to our tertiary student numbers increasing to almost 45 000 students. MSA falls under the IIE offering and was re-branded as IIE MSA. IIE MSA's reputation for academic excellence aligns with ADvTECH's values and will support our growth strategy and further cement ADvTECH's reputation and ability to deliver as South Africa's leading private higher education. IIE MSA also brings a comprehensive suite of premium programmes to the ADvTECH portfolio, an extensive executive education and training portfolio and highly sought-after programmes in engineering and public health. Transition milestones achieved during 2019 included the completion of the human resources restructuring process, the implementation of various ADvTECH IT systems and progress in streamlining the registration to enrolment process.

Technology forms an integral part of achieving the group's strategic objectives. Some of the IT developments implemented during 2019 included a new human resource onboarding application, to improve efficiencies, and the rollout of EDUWiFi to most campuses. As part of securing our systems environment against cyberattacks and ensuring customer data protection, we have boosted controls around ADvTECH's internal network.

Read more in the tertiary division overview

People

ADvTECH continues to make considerable investments in our people who are key enablers to our success. Our integrated management development programmes aim to train and develop our employees, and to enhance our existing succession planning as we navigate our way through organisational and structural changes, mainly in the schools division.

Good progress was made rolling-out modules in our Management Development Programme in areas like coaching, business simulations and learning to lead inclusively. This programme aims to develop current and future management and our leadership development masterclass participants.

With the growth and structural changes in the schools division, we seek to enhance our offering through a specialised Principal Development Programme (PDP). Various modules were rolled out during the year to participating principals and deputy principals. The primary focus of the PDP is on the principal as the leader and custodian of a culture of customer-centricity at our schools.

Read more in the corporate responsibility report

Corporate responsibility

Our environmental, social and governance (ESG) focus areas all have an impact on our business and society. Of all the focus areas, our social impact is the most significant as our business is about people and education. The graphic below outlines some of our ESG strategies, impacts and initiatives.

While ADvTECH does not have a significant carbon footprint, as a responsible corporate citizen, we continue to introduce initiatives to minimise our environmental impact.

This is the first year we have prepared a separate report to focus on our corporate responsibilities and social impact initiatives and performance across our pillars: employees, environment, health and safety and communities. In this report, we also expand on how our core business of education contributed to the United Nations Sustainable Development Goals.

Please refer to our report on our corporate website: www.advtech.co.za

GOVERNANCE IMPACT

Corporate governance focus grounded on principles of King IV & Companies Act

Board annually reviews our strategy

We revised our leadership structures for optimum performance

Developing a robust Combined Assurance Framework

ENVIRONMENTAL IMPACT

Low energy and water efficient campuses

Planted 829 indigenous trees

Protecting wetlands

105 environmental and animal welfare projects

SOCIAL IMPACT

Academic excellence: 100% IEB Matric pass rate

25 172 IIE graduates in the last 5 years

Graduate Empowerment Programme:

- Placed 2 414 students in jobs
- 16 847 cumulative student placements since 2013
- Awarded bursaries to the value of R194 million

CSI an integral part of our operations:

- 655 CSI projects allocated

COVID-19

Regarding the COVID-19 pandemic, the safety and wellbeing of our staff and students is our first priority. ADvTECH established an Incident Support Team and swiftly responded to government's request to close all schools from 18 March 2020. We are following and have implemented the World Health Organisation and National Institute for Communicable Diseases protocols, while also continually providing comprehensive communication to our stakeholders.

Even in these uncertain times, the continuation of quality education remains paramount. We have leveraged online learning tools and systems previously implemented to support learning and teaching strategies, making the online transition seamless. The positive feedback received from our students, parents and teachers, as they adjust to online classes, has been encouraging.

While the financial effect of the pandemic on our business is difficult to predict at this stage, we do expect some cost and revenue impact, but we remain confident of navigating the business through the unpredictability of COVID-19.

ADvTECH appreciates that many of its customers may face severe financial distress due to this crisis and will monitor fee collections and engage with customers on a case-by-case basis to determine feasible solutions.

Prospects

We continue our unrelenting focus on the quality of our academic programmes and our commitment to delivering value to our customers and stakeholders, and remain confident that these initiatives will continue to strengthen our ability to meet the ever-growing demand for relevant high quality education in South Africa and the rest of Africa.

Even prior to the COVID-19 crisis, the socio-economic environment in South Africa was challenging and ADvTECH had chosen to exercise prudence in allocating capital only to those projects which maximized returns. However, in response to the uncertainty surrounding the current health crisis, we have suspended all capital projects until there is greater clarity on the economic prospects of our markets.

The tertiary division remains well positioned to continue to perform strongly and the integration of IIE MSA has progressed well. Despite a declining local market, our resourcing division has performed well with the success of its strategy to explore markets outside of South Africa.

The restructuring and rationalisation of the schools division is starting to deliver the anticipated benefits and together with the strong organic enrolment growth achieved for 2020 in both the schools and tertiary divisions, the group was well positioned to deliver a solid performance in the year ahead. However, the impact of COVID-19 creates a high degree of uncertainty and undoubtedly will have a negative economic impact. We cannot be certain of the extent of the impact but we will endeavour to do our best to mitigate the effects and be vigilant in monitoring the impact on our people and business.

Roy Douglas
Group CEO

30 April 2020

The narrative that follows expands on our SCHOOLS, TERTIARY AND RESOURCING DIVISIONS

DIVISIONAL REVIEW

Schools division

Private education is generally expensive, since we do not get any government subsidies, and therefore we need to assure consumers that we are delivering value. We are committed to academic development and excellence as our key differentiating factor and deliver curricula that is stimulating and meaningful through our brand offerings.

Our offering also focuses on developing global competencies in our students, which includes critical thinking, researching, communicating, social skills and self-management. Academic excellence and value are derived through operational efficiency and organisational effectiveness.

REVENUE UP

11%

showing strong growth in the rest of africa

Extensive work done to evaluate and realign the portfolio

Evaluated each school and implemented a specific plan for performance

Re-positioned Maragon Ruimsig as Crawford International Ruimsig Maragon

Closed Abbotts College Century Gate and merged Junior Colleges Sandton, Tiny Town and Crawford Village into Crawford International Bryanston

Increased our mid-fee portfolio through the construction of Pinnacle College Linden and Pinnacle College Waterfall for a 2020 opening while also expanding capacity at existing Pinnacle Colleges

Repositioned Kathstan and Summit College as Pinnacle Rynfield and Pinnacle Kyalami respectively, with a revised fee structure and a comprehensive rebuild programme.

ADvTECH is the leading provider in the premium school sector with an established high-end portfolio of brands for which there is strong demand. Our focus is to ensure that our brands offer value to our customers and to achieve this we continue to invest in our academic offering, improving our focus on customers and driving operational efficiencies

- Academic excellence
- Customer focus
- Operational efficiency
- Organisational effectiveness

Trinityhouse Glenvista opened in 2020 in the South of Johannesburg with enrolments exceeding expectations

View our strategic objectives

DIVISIONAL REVIEW continued

Financial performance

The schools division's revenue increased by 11% to R2 226 million (2018: R2 009 million), representing 44% of group revenue (2018: 46%). Operating profit for South African schools increased by 3% to R358 million (2018: R349 million) while the revenue from schools in the rest of Africa was up 55% to R204 million (2018: R131 million). Factors affecting operating profit, included restructuring costs consisting of retrenchment payments (R4 million) and investment in efficiency improvement initiatives as well as investment in the mid-fee sector for growth.

Growth and customer focus

Over the past five years following significant expansion, we have increased student numbers by 128%. We are now sharpening the focus on our brand positioning and improving our customer value proposition in this ever-increasing competitive environment. Our digital marketing has improved significantly to reinforce our brands' positioning and all customer-facing staff received extensive training in customer service. These efforts have resulted in organic enrolment growth of 5%.

Our presence in the mid-fee sector, through our Pinnacle Colleges brand, continues to gain momentum where we currently have 29 schools. Enrolment numbers for the two new campuses, namely Pinnacle College Linden and Pinnacle College Waterfall exceeded expectations. Two existing campuses were also repositioned (formerly Kathstan and Summit College) and aligned with the Pinnacle Colleges brand positioning. This included both a fee re-alignment and a significant investment in infrastructure to ensure the schools have the correct facilities to deliver on the brand promise. In addition, we continued the infrastructure expansion at Pinnacle College Founders Hill and Pinnacle College Copperleaf to support the strong demand that these schools have had since their opening. We are confident that the premium sector offers growth opportunity and opened a school in this sector, Trinityhouse Glenvista that filled a need in that community.

PREMIUM SCHOOLS

- Operational efficiencies
- Rationalism
- Integration

67 SCHOOLS
36 CAMPUSES
20 795 STUDENTS

GROWING MID-FEE SCHOOLS

- Greenfield developments
- Repositioning
- Acquisitions

29 SCHOOLS
12 CAMPUSES
5 598 STUDENTS

REST OF AFRICA

- Botswana – GIS
- Kenya – Crawford International & Makini

13 SCHOOLS
7 CAMPUSES
5 977 STUDENTS

DIVISIONAL REVIEW continued

Our strategic expansion into the rest of Africa continues to gain momentum. Enrolments at Crawford International School, Kenya, which opened in September 2018, has exceeded our expectations and we are looking at building the next phase to accommodate this demand. The substantial 2020 enrolments for both Makini and Crawford International School, Kenya, underscore the high demand for quality private education in the rest of Africa and bodes well for our future growth on the continent. Crawford International School, Kenya, currently has 419 students and enrolment growth at Makini Schools was 12%. Crawford International School, Kenya, is expected to move out of the J-curve in 2020, just 15 months after opening its doors.

The rebranding of the Ruimsig Maragon schools to Crawford International Ruimsig Maragon has been well received by the community. Crawford Village, Junior College Sandton and Junior College Tiny Town have been amalgamated into a single offering branded as Crawford International Bryanston.

Academic excellence

With rapid acquisitive expansion, we had to ensure that academic standards and teaching practices at all schools were in line with ADvTECH's core strategic objective of delivering academic excellence. To bolster academic excellence further, ongoing individual student progress is supported by continual analysis of student performance data that enables us to implement a personalised learning pathway for each student.

While curricula followed comply with regulatory requirements, our schools benchmark regularly, both internally and internationally, and all schools have adopted a future-focused education that encompasses global competencies, digital literacy and global citizenship. Proof of the success of this methodology is evidenced with both the acquired Centurus Colleges and Maragon schools showing improved academic results and having achieved 100% matric rates for the last four years. Excellent academic results were once again achieved in 2019. Our consistently exemplary matric results are clear proof that our schools continue to offer the highest standard in education.

Read more about our approach to academic excellence

145
STUDENTS ACHIEVED
6 OR MORE DISTINCTIONS
(2018: 120)

AVERAGE NUMBER OF DISTINCTIONS
per ADvTECH student was
2.2
(2018: 1.8)

100%
MATRIC PASS RATE
for IEB students
(2018: 100%)

96%
BACHELOR PASS RATE
(IEB students qualifying for university entrance)
(2018: 95%)

Operational performance

Our staff restructure and rationalisation process included an academic timetabling optimisation exercise, which has allowed us to focus on optimal teacher: pupil ratios to meet our customers' needs while ensuring affordability in an increasingly pressured economic climate without compromising academic quality.

The group shared services (GSS) function has significantly improved efficiencies, effectiveness and internal controls within the schools division. Our GSS managed debtors book debt to revenue ratio improved to 4.6% at the end of 2019 compared to 5.6% in the previous year, while the consolidation of vendors reduced payment volumes by 28%. In addition, we have consolidated our finance systems by standardising our chart of accounts, migrating onto one database and reducing the number of bank accounts. Multiple legacy and inherited systems were replaced with modern and scalable single systems. An online enrolment process for 2020 was implemented at all our schools. Further changes continue to be implemented in the division to drive additional operational efficiencies and sharpen market focus to consistently deliver high performance across the division.

Looking ahead

Refining and leveraging our systems and processes to simplify and standardise operations remains a priority. Following an extensive expansion programme in the last few years, capital expenditure is expected to slow down as we prioritise investments that maximize value from our current assets and that deliver strong organic growth. No new schools are planned for a 2021 opening. We remain committed to delivering quality education in our mid-fee and premium offerings, ensuring our brands deliver on their customer value propositions.

Tertiary division

The strong value propositions of our brands and their work-focused curricula and qualifications continue to gain traction in the market and they remain well positioned to effectively deliver accredited quality offerings to their respective target markets.

Financial performance

The tertiary division continued to produce a stellar performance, with revenue increasing by 25% to R2 145 million (2018: R1 719 million), contributing 42% of group revenue. Operating profit increased by 20% to R496 million (2018: R415 million). The operating margin, excluding IIE MSA, improved on the back of operational leverage achieved off the back of strong volume growth.

The inclusion of IIE MSA's positively impacted revenues and integration plans are being implemented to achieve synergies and improve their operating margin. Our established brands, Varsity College, Rosebank College and Vega all continued to perform well.

REVENUE UP
25%

OPERATING PROFIT
20%

Multi-channel modes of delivery: full-time or part-time, distance (online) and blended learning

The IIE South Africa's largest "private university" offering with a student complement of almost 45 000

Opened two new Rosebank College campuses in Cape Town and Port Elizabeth in 2020

ADvTECH's tertiary qualification suite now stands at

197
ACCREDITED COURSES

with a diverse range of offerings from vocational skills training to master's degrees

IIE MSA integrated effective 1 April 2019 – Expands IIE's qualifications base with an additional 34 qualifications and capacity for 6 500 students

Growth and customer focus

Organic growth is a key measure of our business and an important driver of the division's excellent results, with acquisitions concentrating on adding to the portfolios and entering growth sectors in the tertiary education space. The tertiary division experienced good enrolment growth of 13% in 2020 which included our online distance learning offering growing by 56% to 3 457 students. This growth is testament to our reputation of providing a quality offering and work-ready graduates as well as clear brand positioning.

Integrating MSA (now re-branded as IIE MSA) has boosted our tertiary student numbers and cemented our reputation for delivering excellence in private learning. The IIE MSA acquisition also supports our growth strategy and allows us to offer a suite of highly regarded programmes.

Two new Rosebank College campuses opened in 2020, in line with the strategy of mega-campuses in main metropolitan centres and digitally enabled and connected campuses in the provincial centres. The Port Elizabeth campus is a digitally enabled campus with state-of the art technology and has 310 students while the Cape Town campus is a mega campus with 471 students. Varsity College's campuses in Cape Town and Pretoria are adding capacity to meet demand.

We remain cognisant of the financial pressures facing our students and parents and strive to remain competitive with our academic quality as well as fee structures. The graphic alongside provides an overview of where ADvTECH's tertiary brands are placed compared with our peers, bearing in mind that the group is not subsidised.

PORT ELIZABETH CAMPUS

Rosebank College (IIE)

Digitally enabled campus

Opened in 2020 with 310 students

Blended learning

CAPE TOWN CAMPUS

Rosebank College (IIE)

Mega Campus

Opened in 2020 with 471 students

BCom and BEd prices compared

BCom

UCT	R63 580 - R81 380
Varsity College (IIE)	R73 338
UP	R47 500
Stellenbosch University	R47 248
WITS	R45 885

BEd

Stellenbosch University	R44 273
Varsity College (IIE)	R42 688
UJ	R41 008
WITS	R34 175
Rosebank College (IIE)	R33 490

DIVISIONAL REVIEW continued

Academic excellence

The IIE is central to our commitment to academic excellence and is responsible for ensuring that our qualifications remain relevant and bridge the gap between the curriculum and the constantly evolving workplace. Due to the IIE's exceptional academic leadership, together with the group's robust operational structures and efficiencies, the future growth looks promising. Of importance is the relevance of our qualifications and the work we do with employers to get our graduates placed.

In December 2019, South Africa's Constitutional Court confirmed that a registered independent higher institution of learning, like the IIE, whose character and programmes meet the constitutional requirements of an equivalent public institution, should be regarded as equal to that of a public institution. This followed a ruling in February 2019, where the High Court ruled in favour of Varsity College in relation to their law degree. This development is significant for ADvTECH and the private higher education sector in South Africa.

Our focus on improving student success and throughput[1] rates with a target to ensure that at least 70% of students graduate, a rate which is a third higher than the public institutions is testament to our customer value proposition of delivering quality education. Please read more in our Academic excellence feature on page 35. The IIE and our brands remains responsive to market needs, demonstrated through the growth in professional qualifications such as Law, Accounting, Engineering, IT and the opening of the School of Education at Varsity College and Rosebank College.

Enrolment growth in IIE professional qualifications

	2017	2020	Growth
Law	1 634	**3 187**	95%
Education	1 783	**5 919**	232%
Accounting	166	**733**	342%
Engineering	0	**97**	
IT	4 655	**6 801**	46%
Total	8 238	**16 737**	103%

Includes Varsity College, Rosebank College and IIE MSA.

Vega School, the industry leader in creative design, brand and business education, was ranked as the top creative-based educational institution in South Africa in 2019 by the internationally recognised Loerie Awards. Students also received several industry accolades, proving that excellence is inspired and nurtured at Vega. Students and lecturers were recognised internationally through exchange programmes with global thought-leading institutions, like Fontys Academy for Creative Design in the Netherlands.

Read more about our approach to academic excellence

Graduate Employment Programme and World of Work

ADvTECH's Graduate Employment Programme (GEP) continues to grow from strength to strength, with Rosebank College placing more than 11 960 of its students in jobs during the past seven years. The division has supported and matched graduates with prospective employers that we have built relationships with and includes many leading corporates (see alongside).

The IIE through its World of Work platform also provides ongoing public education aimed at assisting learners and parents make informed decisions about their study options and assisting graduates to bridge the gap between the world of study and the world of work. This value proposition is unique to the IIE, allowing continual reinforcement of the relationship between the IIE and its brands. The platform enables on-message showcasing of brand achievements, academic excellence and developments in the higher education sector in general, and at the IIE in particular.

Read more in the corporate responsibility report

25 172
IIE Graduates in the last 5 years

71%
were employed within 6 months after graduation

Looking ahead

Considering the value propositions of our brands and our expansion into additional education sectors through acquisitions, we remain confident of the division's continuing growth. We continue to explore new locations, delivery channels and product formats in order to identify further growth opportunities. Effective online education strategies are being applied to support our expected growth in the distance education space, while new programmes developed will continue to respond to the changing needs in the market.

We have enabled data-driven decision-making using our information systems that allows us to drive top rate academic performance through analysis of the data, monitoring, and measuring at every level.

With a 15-year track record of providing academic leadership and the continued demand to study at our brands, the tertiary division is well positioned for continued growth.

1 *We use the term throughput to describe the graduation rates in our qualifications. These rates are always related to a particular year, which is the first year of registration.*

Resourcing division

Resourcing continued to hold their own and deliver solid results despite the low growth economy and the high levels of unemployment

All our brands are accredited members of several professional bodies, including the Federation of African Professional Staffing Organisations (APSO), the Institute of Personnel Service Consultants (IPSC), the Confederation of Associations in the Private Employment Sector (CAPES) and the Information Technology Association (ITA)

Financial performance

Overall placements increased by 3% with our Mauritius-based business that operates outside South Africa continuing to experience strong revenue growth. In South Africa, our focus on increasing our presence in the contracting placements sector remains as the permanent placements sector continues to decline.

Growth and customer focus

Broadening our prospects and services in different market segments in the wider African market remains a priority. These offerings include payroll services, medical aid facilitation and visa applications.

Operational performance

Speeding up the placement process through optimising technology and systems to streamline processes and improve database management improve our performance whilst extraction measures show that more calls, interviews and candidate referrals are required to make one placement.

Looking ahead

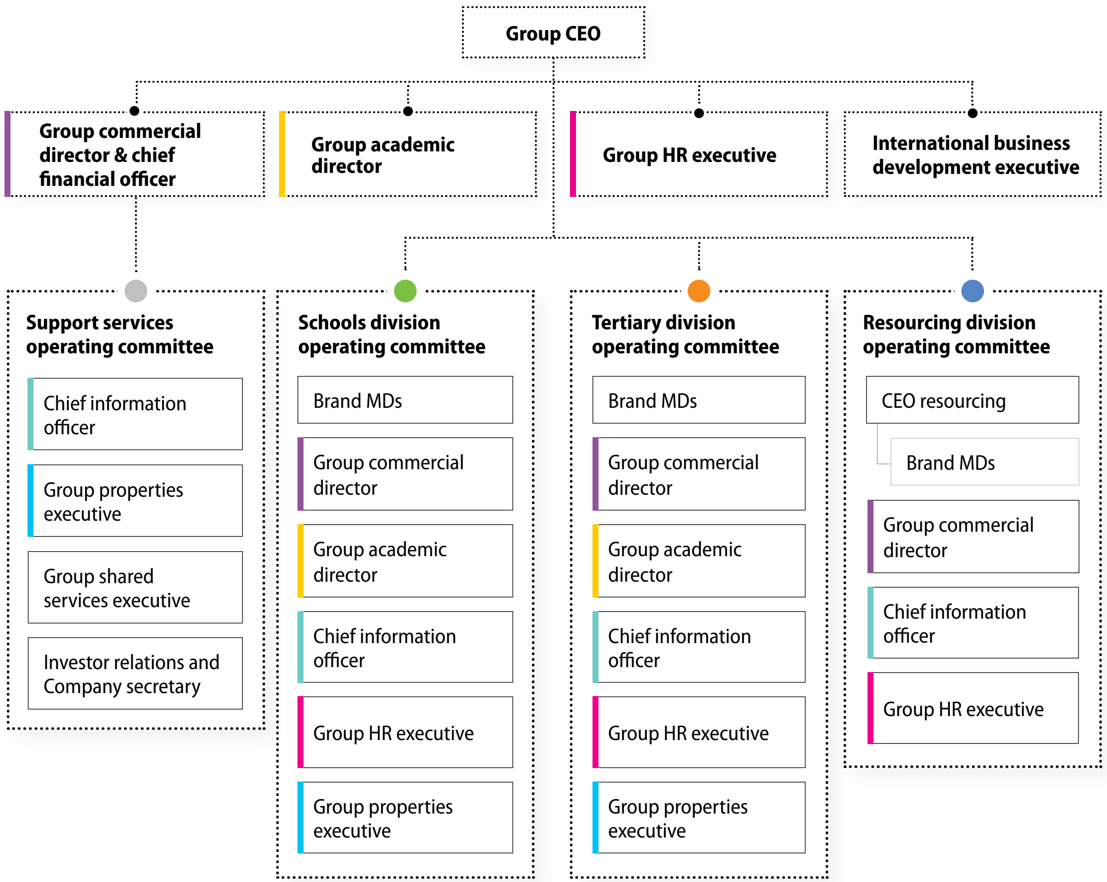
We continue to seek opportunities to extend and strengthen our position across the African continent in both contracting and permanent placements. Finding innovative ways to streamline the recruitment process while upholding the high levels of professionalism in each of the niche sectors of specialisation remains an ongoing objective.

LEADERSHIP STRUCTURES

The ADvTECH group's strategic imperatives require a leadership structure which will optimise decision making and implementation of initiatives. Following a review of the organisational processes and of executive and senior management structures across the group, four leadership operating committees were created. Each of the three divisions, schools, tertiary and resourcing, as well as the group support services, is now governed by an operating committee, which includes key decision makers and relevant stakeholders. The overall objective is to ensure flatter and leaner structures with expertise and decision-making responsibility in the divisions to achieve their strategic and operational objectives.

This decentralises the schools division giving responsibility and accountability to the management team in each brand cluster. This will ensure the use of their skills and knowledge to directly influence and contribute to the success and development of the brands and the growth of the division while group support services will provide back office support and efficient transaction processing. Each operating committee benefits from a broad range of experienced and skilled executives, covering disciplines from education, strategy, finance, marketing, human resources and administration to international business, mergers and acquisitions, law, IT, innovation and property management.

Leadership operating committees



View our strategic objectives

Combined experience of each operating committee

ACADEMIC EXCELLENCE

Academic excellence is the heart of our business and is core to our strategy. It is also one of the key differentiating factors that enables us to continue growing our market share, despite the continued increase of new entrants into the education sector.

Our dedicated central academic team supports our learners, students, teachers and lecturers in differentiated brands that live out their own unique identities. This has been a key factor in enabling us to remain at the forefront of private education in the basic, higher and tertiary education sectors, as parents opt for our tailored offering.

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

ADvTECH's academic excellence is underpinned by:

LEARNING AND OTHER ANALYTICS used to support decision making.

EXCEPTIONAL TEACHING AND LEARNING through our highly qualified academic staff and continuing professional development programmes.

INTERNATIONAL AND EMPLOYER RECOGNITION requiring continued reputation and relationship building.

BENCHMARKING OUR PERFORMANCE against others and our own performance to ensure we embrace continual improvement to support our claims of excellence.

Our brands are known for the high standard of quality education they provide to divergent 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 each brand and campus. Regardless of the brand, programme or qualification, ADvTECH consistently delivers academic excellence and a tailored student experience. Our industry-relevant and work-ready approach results in the development of young people who are prepared for life and tertiary study. Our aim is to produce qualified and competent graduates who are in high demand in the workplace.

Academic excellence within the schools division

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

Our current academic offering goes beyond the subject-based curriculum. In addition, we develop student skills to be aligned to global competencies and digital literacy which are deemed essential for our students in a world entering the fourth industrial revolution.

In 2020, Crawford Preparatory schools will be accredited to deliver the Primary Years Programme of the International Baccalaureate.

Future Tech Spaces in our schools now include comprehensive robotics and drone programmes with progression across years.

View our strategic objectives

FUTURE FOCUSED EDUCATION

— FOUR STRATEGIC QUADRANTS

IEB: Independent Examinations Board,*
DBE: Department of Basic Education,*
ISASA: Independent Schools Association of Southern Africa,*
EYFS: Early Years Foundation Stage,*
RSS, PSLE**
Cambridge, International Baccalaureate

Our objective is to ensure that every student develops incrementally in an engaging, inspiring and challenging learning environment, to the best of their abilities.

The academic focus is centred on FOUR STRATEGIC QUADRANTS (see graphic alongside), namely the formal curricula and performance in the related assessments; core skills as essential global competencies and inquiry-based learning; digital literacy and EdTech, and global citizenship.

CURRICULUM

To prepare our students for school-leaving examinations, ADvTECH exposes them to world-class curricula and ensures that our academic standards generate outcomes for our students at the top end of performance in all the structures and systems in which we work. These include the Independent Examinations Board (IEB), the Independent Schools Association of South Africa (ISASA), the Department of Basic Education (DBE), Cambridge, International Baccalaureate (IB), Kenya Certificate of Secondary Education (KCSE) and the Botswana Primary School Leaving Examination (PSLE).

Inquiry-based learning is a core educational approach across our curricula and schools. We attribute both ongoing strong academic results and the 'world-ready' nature of our students to this integrated educational strategy which improves their mastery of both content and skills.

ACADEMIC EXCELLENCE continued

Progress in 2019

Substantial progress was made on the implementation of the International Baccalaureate Primary Years Programme (IB PYP) in the Crawford Preparatory Schools with authorisation due to take place in 2020. All Crawford Preparatory Schools are in the candidacy phase and are seeking to be endorsed as official International Baccalaureate World Schools in 2020. An International Baccalaureate consultant has been assigned to monitor and advise the school, in conjunction with ADvTECH's Head of International Baccalaureate and the central academic team.

The National JumpCo benchmark exams have provided schools and teachers with data for the purpose of rigorous intervention and improvement plans. Headway was made in the introduction of standardised common exams in most of the school brands. An increasingly optimised standardised approach in 2020 will be the next step in ultimately delivering the highest quality assessments across all of our schools.

Read more about the future focused education four strategic quadrants

TEACHERS AS PROFESSIONALS

High quality professional development is one cornerstone of an effective school. It enables staff to develop the high-level skills and knowledge they need to improve their work methodology, that is central to enhancing student learning.

Focused and needs-driven professional development programmes provide significant opportunities for professional growth and the building of leadership capacity and ongoing career development among staff. Aims include the provision of opportunities for all staff to further their professional knowledge and skills in best teaching and learning practices, leadership, student engagement and wellbeing as well as student transition.

Technology is a powerful tool in education that can transform teaching and learning. EdTech, if used correctly, can assist in building collaborative classrooms in which students and teachers can communicate without borders, create productive relationships, make resources more accessible and tailor the learning experience to cater for the needs of today's students.

Technology integration at schools is of paramount importance and Digital Leaders have been assigned to each school to ensure its seamless functionality. A rigorous training programme has been designed for Digital Leaders who, in turn, support educators to develop new skills and acquire new knowledge within the field of Technology integration on an ongoing basis.

The ADvTECH EdTech framework is fully aligned with the framework from ISTE (International Standards for Technology in Education) and is divided into three areas:

- *The* ***ADvTECH Standards for Students*** are designed to empower students' voices and ensure that learning is a student-driven process.
- *The* ***ADvTECH Standards for Educators*** expand teachers' practice, promotes collaboration with peers, challenges teachers to rethink often outdated traditional approaches and prepares students to drive their own learning.
- *The* ***ADvTECH Standards for Heads of Schools*** target the knowledge and behaviours required for leaders to empower teachers specifically in regard to digital citizenship, team building, continuous improvement and professional growth.

Progress in 2019

To ensure that the quality of teaching and learning is consistent across the ADvTECH brands, internal benchmarking is conducted using assessments from JumpCo that enable us to measure and monitor our performance as well as address any issues highlighted. This benchmarking was supplemented with diagnostics at the beginning of 2019 from Grade 2 through to Grade 8. Our students performed remarkably well in English as compared to other cohorts, in South Africa and internationally. Furthermore, we are in the process of developing a training facility for Pre-Primary and Foundation Phase teachers at the Crawford College site in Bryanston that is designed for future-focused learning. This will provide teachers with an understanding of where the benchmark lies in regard to classroom spaces, resources and equipment.

Inquiry-based learning (IBL) training and development was the largest component of our training and roadshows during 2019, and was attended by 1 200 teachers from Grades 000 to 9.

ACADEMIC EXCELLENCE continued

GLOBAL COMPETENCIES (GCs)

The global competencies continuum is designed to equip our students with these essential skills. These five global competencies (see graphic on page 36) are part of the formal curriculum and are embedded in teaching and learning and in all curricula and co-curricular activities in our schools. The central academic team provides master classes, mentorship and networking to support the development of teacher competence and to ensure that these global competencies are integrated into the school culture and mindset.

During the past three years, our schools have shown progress in ensuring that strategies for the development of the five areas of global competencies are understood and applied by our students.

Progress in 2019

Training and support continued throughout the year, along with termly collaboration and sharing sessions between schools.

- Professional development continued throughout 2019, with the addition of tools and strategies such as *Harvard VisibleThinking, Kagans and De Bonos,* that provided further opportunities for the effective inclusion of the GCs within the teaching and learning taking place across all grades, subjects and schools.
- All schools were required to appoint GC representatives, who attended termly meetings, where ideas and approaches to embedding the GCs were shared as schools and phases (Pre-School, Foundation, Intersen and High School). A document for tracking the coverage and teaching of the skills was mandated and became a key point of discussion across the GC representative group. The tracking of the use of the GC skills will continue through 2020.
- In addition to this, the understanding of Inquiry-based learning and the development of units of inquiry became an evolving discussion, focus and expectation in 2019. The authentic role of the global competencies as a key component of these units became more apparent. The expectation of all schools (Grade 0 to Grade 9) is to continue developing units of inquiry through 2020. This has been communicated to all schools and workshops and planning sessions supporting the development of these units will continue throughout 2020.

Looking forward

As of 2020, an online report will be completed at the end of any unit of inquiry. This will be made available to all parents, and will evaluate the learning, skills and understandings that have been explored through the unit.

In recognition of the significant impact of IBL on the development of global competencies, all schools will employ at least two inquiry units of learning in 2020 and beyond.

In addition to standard reports, students and parents will receive reports on each unit of learning conducted using the IBL method.

Read more about the future focused education four strategic quadrants

DIGITAL LITERACY

Digital literacy extends far beyond computer literacy in today's world and is a key focus area. The digital literacy curriculum from Grade 0 to Grade 6, introduced in the previous year, centred on three strands:

- Computational thinking and coding
- Productivity and networking
- Enhancing global competencies and citizenship through technology

This programme introduces students to algorithms, loops and conditions in Grade 1 and progresses to JavaScript and HTML in Grade 6.

Progress in 2019

In January 2019, 16 schools launched a new-age technology space, named 'Future Tech Spaces', which builds student confidence with 21st-Century technologies. The current Future Tech spaces[1] includes, among other technologies, 3D printers, laser cutters, robotics and drone technology. The curriculum focuses on project-based learning that enables students to create solutions and embark on a process of prototyping and design thinking. The projects are all linked to specific United Nations Sustainable Goals of 2030.

Artificial Intelligence is an important aspect that is increasingly influencing our decisions and it is linked to greater emphasis on robotics, virtual reality technology and drone technology. Various pilot programmes including robotics are underway in a number of our schools, as well as a 24-week drone technology curriculum at Crawford North Coast and Abbotts Johannesburg South and a virtual reality technology programme at Charterhouse.

1 *https://21st century technology spaces.teachable.com/courses?_ga=2.103930816.1357440262.1559233916-1408003803.1559233916*

GLOBAL CITIZENSHIP

Promoting the development of our students as aware and contributing global citizens is important in a dynamic and fluid job market. In providing a framework for engaging our students with global challenges, such as hunger and environmental degradation as well as global opportunities such as gender equality and diversity, we have used the United Nations Sustainable Development Goals 2030 as our reference. We aim to nurture positive values and behaviour and a solution-seeking mindset in our students from a young age so that they can be encouraged to cultivate resilience and 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 our education offerings. Students leave our schools with the confidence to contribute to, and find their place in, 21st-Century learning and living.

Progress in 2019

The Tournament of Minds (TOM) is an international competition that engages students in critical thinking and problem solving centred on the world's problems. ADvTECH works in partnership with the tournament's Australian Head Office to administer and lead the competition in South Africa. TOM continues to develop, with participation increasing significantly since its inception in 2018. The result is that the competition will spread to regional competitions across the different provinces in South Africa in 2020, culminating in a final round of competition in Gauteng for the provincial winners.

The Central Academic Team (CAT) appointed two new education experts to further bolster our academic team. These posts include an EdTech advisor who is responsible for the digital literacy development programme and a senior primary advisor who is responsible for technology integration in the classrooms.

Read more in the corporate responsibility report

Read more about the future focused education four strategic quadrants

Academic excellence within the tertiary division

Tertiary highlights and fast facts

The IIE achieved an average module pass rate of **85%**
2018: 82%

125
2018: 101
higher education qualifications offered through Varsity College, Vega, Rosebank College and the newly acquired IIE MSA

The IIE's six faculties provide qualifications from higher certificates to masters' level to
43 860 students
2018: 39 629

The IIE's journal, *The Independent Journal of Teaching and Learning*, is the only journal published by a private education provider and accredited by the Academy of Science of South Africa (ASSAF).

197
ACCREDITED COURSES
2018: 201

33
CAMPUSES
2018: 29

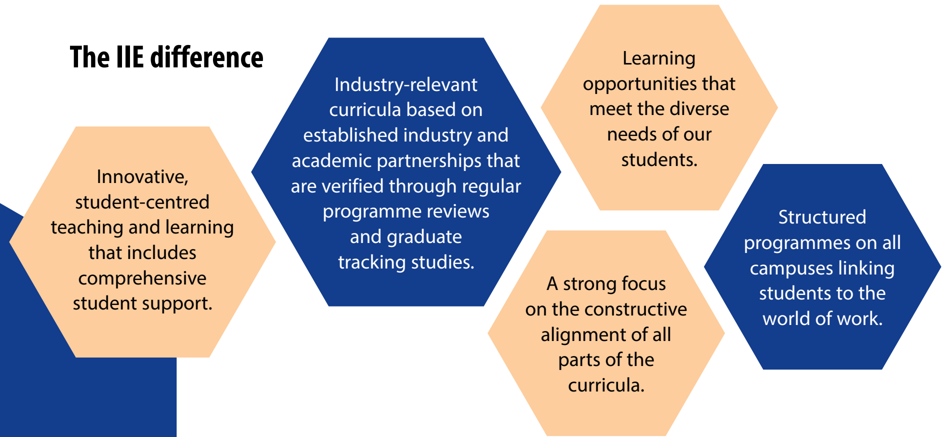
1 800+
ACADEMIC STAFF
2018: 1 800+

ADvTECH's tertiary division continues to grow its reputation as the leading provider of high-quality private education in South Africa. In keeping with our commitment to academic excellence, substantial investment ensured that ADvTECH was able to grow its footprint and that more students are now able to access our educational offerings, either at state-of-the-art campuses across South Africa, or through industry-leading distance education programmes. Adding to the attractiveness of workplace-focused curricula, prospective students continue to be drawn to our brands by the advantage provided through smaller class sizes and the resultant personal attention, which is often lacking in the broader higher education environment.

ACADEMIC EXCELLENCE continued

The IIE

Although each ADvTECH brand has its own focus, the success of The Independent Institute of Education (IIE), ADvTECH's Higher Education division, can be attributed to its commitment to launching and building students' careers as described below. During 2019, IIE MSA was included in the IIE fold, joining IIE's other brands Varsity College, Rosebank College and Vega. This increased our student reach by 3 200 and extended our qualification offering to 125.



The IIE achieves these successes because the model enables the IIE to draw on the skills of all its people to the benefit of all brands. The academic work is coordinated by our central academic team (CAT), which boasts extensive higher education experience and a track record of supporting their qualifications and brands.

Over and above local accreditation through the statutory bodies, the IIE is also accredited by the British Accreditation Council (BAC)[2], which demonstrates to students and employers that the IIE's standards are indeed world-class. This further bolsters confidence in students about the credibility and value of their qualifications.

There are more than 100 professionals in the CAT, including academics, instructional designers, professional editors, content developers, programme managers, operations coordinators, business process analysts, business intelligence experts and research and curriculum development specialists. This creates 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 and academic expertise.

The IIE has the only DHET (Department of Higher Education and Training) accredited and peer reviewed academic journal managed by a private higher education institution. *The Independent Journal of Teaching and Learning* is in its 14th year of publication with two editions annually, and is available on open access platforms.

Great strides were made in that the IIE is now a key role-player in many activities in which only public institutions traditionally participated, which further cements our position as South Africa's leading "private university[3] ".

The IIE's six faculties provide 125 (2018: 101) accredited qualifications from higher certificate to masters' level, to more than 43 860 full-time qualification students. The IIE also offers numerous qualifications through distance learning, which creates an educational opportunity for almost every ambition.

The IIE's brands placed 2 414 (2018: 2 339 students) in their first jobs in 2019. 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 of the Graduate Empowerment programme in the corporate responsibility report

Throughput rates and module success rates

We intensified our focus on improving student success and throughput[4] rates. Modular success must be accompanied with students remaining with the institution through to graduation and our aim is to ensure that at least 70% of students graduate, a rate which is a third higher than the public institutions.

The IIE has added several postgraduate programmes to its portfolio, some of them through the acquisition of MSA IIE to become IIE MSA and some through its own development and accreditation progress. These align with the overall institutional development goals. In addition, the first PhD to be certified by the IIE was accredited by the Council of Higher Education in 2019, with DHET approval currently pending.

2 *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. Standards are also verified by several other professional and strategic partners.*

3 *About private universities: By law, private higher education institutions in South Africa may not call themselves private universities, although registered private institutions are subject to the same regulations, accreditation requirements and oversight as public universities. A recent (December 2019) ruling by South Africa's Constitutional Court has significantly boosted ADvTECH's aim of being unambiguously recognised as a private university (see CEO review page 23 for further details).*

4 *We use the term throughput to describe the graduation rates in our qualifications. These rates are always related to a particular year, which is the first year of registration.*

ACADEMIC EXCELLENCE continued

New academic markets

ADvTECH continues to explore new markets in Kenya through Makini Schools and the Crawford International School in Tatu City, Kenya.

	Country	Fast facts
CRAWFORD INTERNATIONAL SCHOOL	Kenya	› ADvTECH's first greenfield development outside South Africa, opened in September 2018 › The Crawford brand is highly rated by US Ivy League universities such as Columbia, Harvard and Princeton, who regularly visit the school as part of their recruitment drives
MAKINI SCHOOL	Kenya	› Established in 1978 – ADvTECH acquired Makini Schools in 2018 › Seven schools on five campuses › Enrolment growth up 12% from 2019

Read more on our growth in the CEO report

Oxbridge Academy

Through Oxbridge, students have the opportunity to gain job-relevant skills as well as strengthen existing skills. In addition, they are able to gain experience with an appropriate qualification or skills course, backed by strong academic and student support from industry experts and tutors. Oxbridge extends its academic offering and programmes on an ongoing basis, diversifying and updating its product offering to make more qualifications and programmes accessible to students who opt for distance learning.

During 2019, our product offering was refreshed to better align with industry and to be relevant to the market place. Students in this brand predominantly opt for a traditional distance-learning model and Oxbridge Academy will enhance their offering through technology assisted distance learning models going forward.

Read more about stakeholder engagement in the corporate responsibility report

Capsicum Culinary School (Capsicum) and The Private Hotel School (PHS)

The highly skilled teams of professionals at Capsicum and the PHS teach both nationally and internationally accredited courses, and the schools' qualifications and graduates are sought-after in the workplace, both locally and abroad. With eight 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. PHS is in the process of being integrated into the IIE as the provider. Three additional qualifications are in the design and development phase. This integration will strengthen the PHS position with support from the IIE CAT and expand the offering for students. PHS offers qualifications ranging from entry-level higher certificate qualifications up to a degree in hospitality management. The curriculum combines innovative and leading-edge hospitality management 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 required to excel as leaders in the hospitality and related management fields. Its qualifications are endorsed by the American Hospitality Academy and PHS is a partner school of the International Hotel Management Schools (AHA-IHMS), allowing students to complete an optional year in the USA.

PHS's commitment to academic and technical skill excellence was attested to again in 2019 at the annual One&Only Reaching For Young Stars Competition, where the school scooped four category wins across the competition divisions. The victory was resounding, with one student winning the *Young Star Chef Of The Year* award.

Approximately 85% of PHS students receive employment offers during their final internship placement and even before they graduate, with an average of 95% of all students being meaningfully employed after graduation.

Legislation was amended in 2018 affecting providers offering internationally accredited qualifications. The change in legislation required that all international qualifications be aligned and offered concurrently with nationally accredited qualifications on the South African National Qualifications Framework (NQF).

ACADEMIC EXCELLENCE continued

Additionally, descriptors, such as Diploma and Certificate, are no longer permitted when referring to international qualifications. As a result, City and Guilds qualifications were aligned where possible and offered concurrently with nationally accredited qualification offerings and the programme offering and nomenclature in Capsicum were restructured. Additional programmes were added to the product basket, including three Short Learning Programmes (SLPs) and a Food and Beverage Service qualification to assist in bridging affordability and entrance requirement gaps.

The requirement to change the nomenclature of the programmes and the exclusion of a foundation level qualification initially affected the enrolment numbers. However, despite factors out of our control, we have seen a balance return over the past year due to the market gaining an understanding of the educational landscape in South Africa and the value of nationally accredited qualifications backed with international endorsements that conforms to industry benchmarks.

Capsicum offers full-time and part-time nationally accredited courses, with optional international dual certification. The offerings include a Foundational Chef Programme, Professional Chef Programme, Professional Patisserie Programme, Advanced Culinary Arts Programme and Food and Beverage Programme.

Capsicum's alumni rate of employment is also a remarkable 95%, which attests to the quality of education offered and workplace recognition thereof. In the past decade, more than 5 000 chefs have graduated from Capsicum, with many employed by leading local and global establishments. The global shortage of artisanal skills, including in the fields of hospitality and culinary craft, creates high demand for our graduates to both the international and local job market.

Fast facts

As dedication to industry leadership remains a driving force for Capsicum, a lecturer competed in the first annual Appetite Culinary Cup in 2019 and successfully made it to the semi-final round, competing against some of South African's most talented professional chefs.

Systems

To improve overall efficiencies and ensure we operate optimally, we rolled out an administration software system across the schools division in time and on budget. With a standardised system across all our schools we have now been able to lay the foundations for a business intelligence tool to improve our use of the student performance data. In 2020, this will be integrated with the benchmarking data. This system provides consolidated information and high-quality reporting and analytics to generate actionable insights.

It will be further supplemented with an analytical tool and internal and external benchmarking tools. This new system will also enable us to set up common learning management tools to drive best practice and online professional development programmes. In addition, it will lead to improved data literacy of teachers and school managers, therefore enabling better data-driven decision making.

Due to the size and scope of the tertiary division project, this system will be deployed over a two-year period and an initial sales and marketing component is planned for roll out in 2020.

We continue to make full use of IIELearn, our Learning Management System (LMS) based on Blackboard, which supports our teaching and learning strategy to enhance the learning experience of our face-to-face students and reach more students by distance mode.

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

Increasingly effective online education strategies are being developed and will be implemented in the coming years to support our growth within the distance education offering. We monitor each new operational feature to ensure that our growth does not compromise the quality of our teaching and learning and we concentrate on using our existing strategies effectively as we scale.

TERTIARY DIVISION REVENUE
↑ 25%
to R2.1 BILLION

SCHOOLS DIVISION REVENUE
↑ 11%
to R2.2 BILLION

RESOURCING DIVISION REVENUE
↑ 11%
to R741 MILLION

COMMERCIAL DIRECTOR'S REPORT

The ADvTECH group achieved satisfactory results for the year ended 31 December 2019 continuing its trend of consistent performance in line with the growth strategy.

Over the past five years, the group has made many investments and increased the scale of the business significantly. During this period, the schools division student numbers have risen by 128% and the tertiary division student numbers have doubled leading to revenue increasing by 164% from R1.9 billion to R5.1 billion. Going forward, our focus will shift to prioritise investments that maximise value from our existing assets and that deliver strong organic growth.

Review of group results

Revenue growth of 16% to R5.1 billion (2018: R4.4 billion) resulted from growth in all divisions. The schools division revenue increased by 11% to R2.2 billion as they experienced strong organic growth in the mid-fee sector and in their schools in the rest of Africa, while enrolments at some of our premium brands continues to be impacted by financial pressures on families and the effects of emigration. The tertiary division continued its trend of excellent organic growth, which together with the acquisition of IIE MSA, resulted in revenue increasing by 25% to R2.1 billion. The increase in revenue in the resourcing division of 11% to R741 million was achieved due to an overall increase in placements of 3%.

Operating profit, which increased by 8% to R869 million (2018: R808 million), was impacted by restructuring costs for the delivery of efficiency improvements (including the integration of IIE MSA), set up costs for Crawford International School in Kenya and a decrease in operating profits in the resourcing division, and resulted in operating margins reducing from 18.4% to 17.0%. The operating profit for South African schools increased by 3% to R358 million while operating profit from schools in the rest of Africa declined as we progress through the "J" curve. With the strong enrolment growth continuing in schools in the rest of Africa into 2020, these investments are expected to make a positive contribution in the next reporting period. The tertiary division increased operating profit by 20% to R496 million with operating margins, excluding IIE MSA, continuing to increase on the back of operational leverage from strong volume growth. The resourcing division's operating profit declined by 29% to R29 million in the low growth economy with continuing high levels of unemployment. The division remains highly cash generative.

The higher average net borrowings, resulting from the significant capital expenditure incurred, together with the acquisition of IIE MSA, led to an increase in financing costs. The taxation rate decreased due to the comparative year including a greater amount of non-deductible non-trading items. Profit for the year increased by 18% with normalised earnings per share, which excludes non-trading items, increasing by 8% to 85.2 cents (2018: 79.0 cents).

Non-trading items

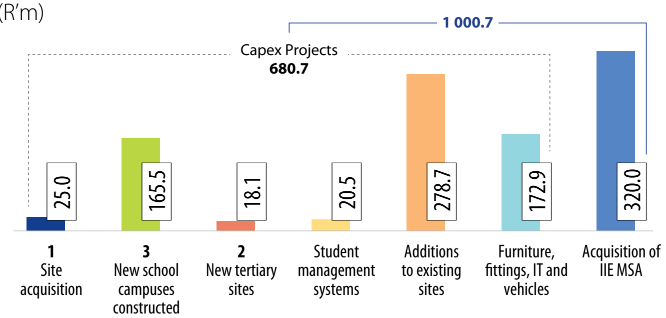
Non-trading items consisted mainly of a foreign currency gain arising from the acquisition of IIE MSA, a gain on bargain purchase on acquisition of IIE MSA and insurance proceeds received on the previously reported fraud event. The comparative period included the settlement of contingent consideration on the acquisition of Maramedia Proprietary Limited that fell outside the measurement period as defined by IFRS 3 Business Combinations, and therefore was required to be recognised in the consolidated statement of profit and loss.

Investments

The group's commitment to achieving its strategic goal of ambitious yet considered growth led to an investment of R1.0 billion in capital expenditure including the acquisition of IIE MSA. The elements that constitute the major activities in the group's investment programme are summarised alongside and below.

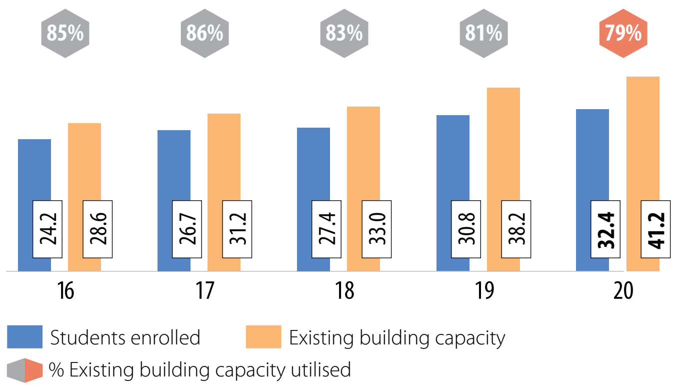
Capex and acquisitions

(R'm)



Schools division

Excellent growth capacity ('000)



Through capital expenditure, the capacity of the schools division increased by 8% and we are now able to accommodate 41 200 students. Capacity on existing sites can be increased to accommodate a further 15 300 students. Plans are in place to roll out the development of this capacity over approximately eight to ten years.

While the group continues to seek both greenfield and acquisition opportunities to expand or complement its offering, no new school openings are planned for 2021 and capital expenditure is expected to slow down following the extensive expansion programme of the last five years. The capital expenditure programme will focus mainly on adding capacity to our existing sites that will enhance the returns on these investments.

Read more in the schools division overview

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 R372 million at year end (2018: R405 million) with the decrease compared to last year mainly due to lower fees received in advance and deposits. Trade receivables continue to be well managed.

The decrease in fees received in advance and deposits was due to a greater proportion of parents selecting the monthly payment terms as opposed to the upfront payment option as well as parents delaying payment until after year-end, but still within the agreed payment terms. Receipts after year-end have been significantly higher than in the previous year as would be expected with the change in the payment options chosen and payment patterns.

Free operating cash flow before capex increased by 2% to R574 million despite the lower level of fees received in advance and deposits. Cash conversion amounted to 123% of profit for the year. Cash generated by operating activities increased by 7% to R1 084 million. This, together with financing inflows, enabled the payments of investments and capex of R1 001 million, payment of financing costs of R234 million, taxation of R224 million and dividends of R171 million.

Capital structure to support the accelerated investment programme

The group has funding facilities in place totalling R2.85 billion, consisting of fixed-term loans amounting to R1.8 billion, a revolving credit facility of R950 million and an overdraft facility of R100 million. The make-up of these facilities allows the group to fund its long-term needs while maximising the benefits of its seasonal cash flows. These facilities are expected to provide sufficient funding for the rollout of the planned investment programme while still allowing for headroom against the covenants. There is no refinancing event in the next 12 months.

Net borrowings increased to R2.6 billion (2018: R1.9 billion) due to the funding required for capex and to settle the purchase consideration of the IIE MSA acquisition exceeding the net cash inflows from operating activities. The group remains well within its covenants at year-end, with net borrowings (including lease liabilities) equating to approximately 2.6 times (2018: 2.3 times) EBITDA, while gearing increased to 89% (2018: 79%).

The group's inherently strong organic cash flow, which is expected to increase in line with earnings growth, together with the funding facilities in place, positions the group well to fund its future investment programme and enables it to consider significant additional growth opportunities that may become available.

Dividends and share buy-back consideration

In view of the heightened uncertainty because of the rapidly evolving nature of COVID-19, the board has decided to defer the decision regarding a dividend declaration.

While management has contingency plans in place and remains confident of navigating the business through the unpredictability, the board felt that it would be prudent to delay the decision and continue to assess the environment and potential impact of the pandemic. The board will consider a dividend payment at the next board meeting to be held in May 2020, when the impact of the pandemic on the group may have become clearer. In light of the low share price, the board will also consider the option of a share buy-back in lieu of a dividend at that meeting.

The group declared an interim dividend of 15.0 cents (2018: 15.0 cents) per ordinary share during the year ended 31 December 2019. In respect of the year ended 31 December 2018, a final dividend of 15.0 cents per share was declared bringing the total dividend for that year to 30.0 cents, which resulted in a dividend pay-out ratio of 2.6 times relative to normalised earnings.

COVID-19 financial impact

While the safety and wellbeing of all our staff and pupils is our first priority, the continuation of teaching and learning is paramount to delivering quality education to our students. Financially, this allows us to continue invoicing for our services and collecting fees in order to sustain the group. Plans are in place to ensure that teaching and learning continue and that the curriculum for the year will be completed.

The lockdown due to the pandemic will certainly put some families under financial pressures that may affect their ability to pay fees. Should there be further extensions to the lockdown this will be exacerbated. The group will also not be able to deliver certain services such as boarding and aftercare, and will therefore not be able to charge for these services. The resourcing division has seen an immediate drop off in placements, a trend that is expected to continue until businesses become fully operational again. Lockdowns have also been implemented in the countries in the rest of Africa in which we operate and the impact is following a similar pattern as in South Africa other than for Africa HR where placement volumes have remainder robust.

Notwithstanding these challenges, the group is well positioned to navigate through this period of uncertainty and plans have been put in place in this regard. These include engaging with families under financial distress to find ways to assist them with payment plans to ensure that they can remain in our institutions and continue to pay fees and all capex that has not yet been committed to and non-essential operating expenditure has been put on hold. As referred to above, the declaration of a dividend has also been put on hold in order to preserve cash until we have further clarity on the impact of the pandemic on the group.

These measures, together with the headroom in our banking facilities that is substantially greater than reported at year-end, ensures that the group is in a strong position to weather this storm. Several scenarios have been modelled which confirm the group's ability to absorb a significant level of disruption. These scenarios take into account the group's desire to continue supporting our staff and wider communities during this period.

As a group, we are determined to emerge from this crisis, not only intact, but also as a stronger business.

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.

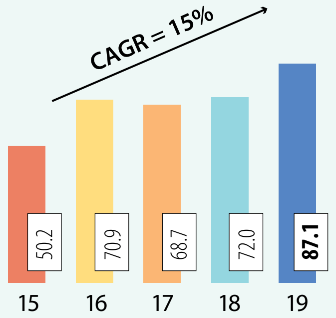
Didier Oesch
Group commercial director and
chief financial officer

View the annual financial statements

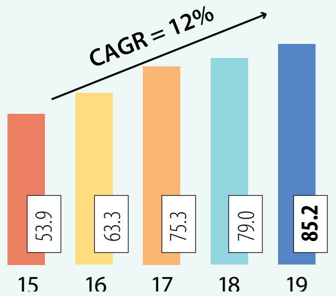
RATIOS AND STATISTICS

for the year ended 31 December 2019

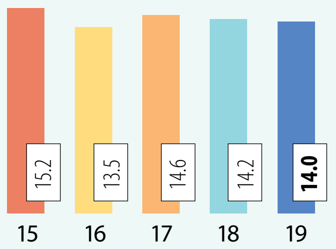
Earnings per share
(cents)



Normalised earnings per share
(cents)



Normalised earnings on average shareholder's funds
(cents)



	2019 R'm	Restated* 2018 R'm	Restated* 2017 R'm	Restated* 2016 R'm	Restated* 2015 R'm
Earnings and distribution					
Earnings per share (cents)	**87.1**	72.0	68.7	70.9	50.2
Headline earnings per share (cents)	**86.0**	71.4	68.8	71.1	51.0
Normalised earnings per share (cents)	**85.2**	79.0	75.3	63.3	53.9
Distributions to shareholders per share (cents)	**15.0**	30.0	34.0	32.5	29.5
Profitability					
EBITDA on revenue (%)	**23.0**	24.7	20.9	23.0	21.5
EBIT on revenue (%)	**17.3**	17.5	16.2	18.9	17.3
Operating profit on average shareholders' funds (%)	**27.0**	25.8	23.2	24.7	28.2
Normalised earnings on average shareholders' funds (%)	**14.0**	14.2	14.6	13.5	15.2
Return on funds employed (%)#	**14.3**	15.8	16.4	16.4	19.4
Productivity					
Revenue per average property, plant and equipment (Rand)	**1.1**	1.2	1.2	1.2	1.3
Revenue per employee (R'000)	**648.6**	581.4	584.0	545.0	476.8
Revenue per square metre (Rand)	**8 334.7**	8 160.5	7 624.9	7 151.9	6 104.0
Finance					
Current assets to current liabilities	**0.3**	0.4	0.2	0.4	0.4
Operating cash flow per share (cents)	**82.9**	77.9	72.4	53.5	41.9
Capital expenditure – excluding acquisitions (R'millions)	**704.6**	568.9	712.6	361.8	406.1
Capital expenditure – acquisitions (R'millions)	**(320.0)**	(114.9)	(215.6)	(81.4)	(938.7)
Free operating cash flow before capex per share (cents)	**106.4**	105.1	109.8	90.9	75.5
Net asset value per share (cents)	**623.2**	571.5	519.7	489.6	424.7
Debtors days as at 31 December	**23.3**	21.8	26.7	24.4	27.2
Net gearing ratio (%)	**88.9**	78.5	75.0	41.6	51.3
Other					
Total shares in issue (millions)	**548.8**	546.6	544.4	544.4	530.8
Weighted average number of shares in issue (millions)	**539.0**	535.9	534.2	525.2	447.8
Diluted weighted average number of shares in issue (millions)	**539.0**	536.1	535.2	525.7	447.8
Employee headcount at year-end	**7 876**	7 549	6 743	5 916	5 441
Total capacity occupied ('000 m²)	**612.9**	537.8	516.4	450.8	425.0

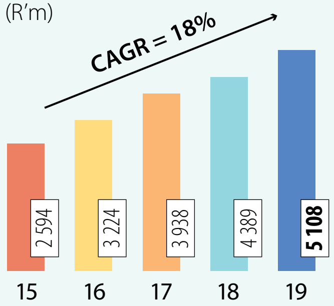
The return of funds employed is calculated by dividing the normalised EBIT by the average funds employed for the year. The funds employed for each year is calculated by taking total assets for the year less cash balances and all non-interest bearing liabilities.

* *The restatement in 2018 relates to the adoption of IFRS 16. Refer to note 4 of the consolidated annual financial statements. The 2015 – 2017 years were not restated for IFRS 16 but have been restated for the adoption of IFRS 15.*

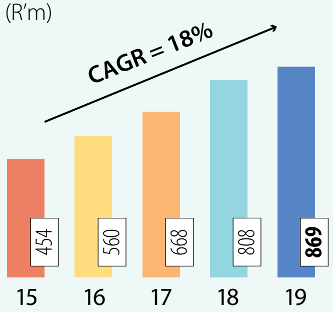
FIVE YEAR FINANCIAL REVIEW

for the year ended 31 December 2019

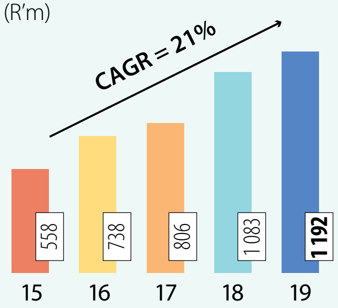
Revenue
(R'm)



Operating profit
(R'm)



Cash generated from operations
(R'm)



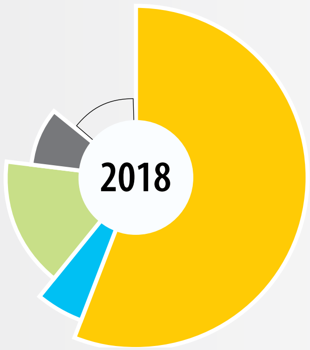
	2019 R'm	Restated* 2018 R'm	Restated* 2017 R'm	Restated* 2016 R'm	Restated* 2015 R'm
Summarised statements of comprehensive income					
Revenue (net of bursaries and discount allowed)	**5 108.0**	4 389.0	3 937.7	3 224.3	2 594.2
Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA)	**1 173.6**	1 083.8	823.3	740.6	557.9
Depreciation and amortisation	**304.5**	275.6	155.3	132.5	109.6
Operating profit before interest and non-trading items	**869.1**	808.2	668.0	560.2	454.3
Non-trading income/(expenses)	**13.5**	(39.5)	(31.1)	47.9	6.0
Net finance costs	**(221.8)**	(192.0)	(99.1)	(81.7)	(119.7)
Profit before taxation	**660.8**	576.7	537.8	526.4	328.6
Taxation	**192.5**	180.6	160.1	148.5	102.5
Total comprehensive income for the year	**468.3**	396.1	377.7	377.9	226.1
Headline earnings	**463.7**	382.9	367.5	373.5	228.4
Normalised earnings	**459.2**	423.4	402.5	332.3	241.5
Summarised statements of financial position					
Shareholders' equity	**3 420.3**	3 123.7	2 829.3	2 665.6	2 254.5
Interest bearing debt	**2 725.3**	2 144.1	1 727.0	1 238.3	1 333.1
Lease liabilities	**485.5**	537.8	505.8	–	–
Other non-current liabilities	**74.4**	72.9	49.0	–	–
Deferred taxation liability	**170.9**	114.2	101.4	99.3	98.0
Other current liabilities	**767.6**	733.1	770.0	631.9	617.1
	7 644.0	6 725.8	5 982.5	4 635.1	4 302.7
Non-current assets (including non-current assets held for sale)	**7 041.1**	6 154.4	5 543.9	4 232.5	3 894.2
Bank balances and cash	**170.5**	228.9	109.9	128.2	176.2
Other current assets	**432.4**	342.5	328.7	274.4	232.3
	7 644.0	6 725.8	5 982.5	4 635.1	4 302.7
Summarised cash flows					
Cash generated from operations	**1 192.1**	1 083.1	805.7	737.9	557.5
Net cash inflow from operating activities	**454.8**	425.6	394.1	291.3	222.6
Net cash outflow from investing activities	**(998.6)**	(657.5)	(913.8)	(441.0)	(1 340.4)
Net cash inflow from financing activities	**489.9**	512.4	312.7	78.2	1 180.2
Net (decrease)/increase in cash and cash equivalents	**(53.9)**	280.5	(207.0)	(71.5)	62.4

* *The restatement in 2018 relates to the adoption of IFRS 16. Refer to note 4 of the consolidated annual financial statements. The 2015 – 2017 years were not restated for IFRS 16 but have been restated for the adoption of IFRS 15.*

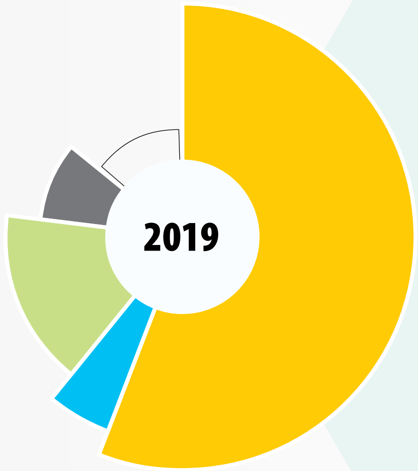
VALUE ADDED STATEMENT

for the year ended 31 December 2019

Value distribution



56% Employees
5% Social responsibility
16% Government
10% Providers of capital
13% Reinvested in the group



56% Employees
5% Social responsibility
15% Government
10% Providers of capital
14% Reinvested in the group

	2019 R'm	Restated* 2018 R'm
Value added		
Revenue (net of bursaries and discounts)	**5 108.0**	4 389.0
Bursaries and discounts	**197.6**	179.5
Interest received	**5.2**	3.7
Cost of providing services	**(1 150.4)**	(950.3)
	4 160.4	3 621.9
Value distribution		
Employees		
Net benefits paid to employees	**2 323.4**	2 018.6
Social responsibility		
Corporate social investment and bursaries	**197.6**	179.5
Government	**645.3**	567.9
Government taxes	**194.4**	186.9
Net VAT paid	**63.9**	53.4
PAYE	**387.0**	327.6
Providers of capital	**397.9**	386.2
Finance costs	**227.0**	195.7
Distributions to shareholders	**170.9**	190.5
Reinvested in the group		
Retained to sustain and grow the group	**596.2**	469.7
	4 160.4	3 621.9

* *The restatement relates to the adoption of IFRS 16. Refer to note 4 of the consolidated annual financial statements.*

BOARD OF DIRECTORS

CHRISTOPHER BOULLE (48)

Chairman, Independent non-executive director

BCom, LLB, LLM (WITS)

Appointed 2013

Committee membership:
Chair of the investment and nominations committees

Strategic value contribution:
- Corporate governance
- Corporate and trust law
- Commercial, finance and tax law

Chris is a commercial, corporate finance, tax and trust attorney. His experience as a non-executive director of listed companies spans more than two decades. He currently serves as a director of companies listed on the JSE and is also trustee of various trusts, including the ADvTECH Limited Share Incentive Trust. In 2015, he was appointed chairman of the board.

ROY DOUGLAS (62)

Executive director, group chief executive officer

BSocSci (Economics) UKZN, MBA (UCT)

Appointed 2015

Committee membership:
Member of the investment, nominations, risk and transformation, social and ethics committees

Strategic value contribution:
- International commerce and management
- Strategy, marketing, business development and general management
- Mergers and acquisitions

Roy brings 30 years' of local and international senior management experience to the group. Roy has held senior executive roles in various industries where he has honed his skills in strategy, marketing, business development and general management. His track record includes leadership positions in Nampak Limited, Deloitte (Atlanta, USA), House of Fraser Limited (UK) and Unilever SA. He joined ADvTECH in December 2012 as chief operating officer of the tertiary division and led the successful turnaround of the division. He took over the reins as chief executive officer in November 2015.

JACQUELINE CHIMHANZI (DR) (46)

Independent non-executive director

BSc (Hons), MBA, PhD (Cardiff)

Appointed 2017

Committee membership:
Chair of the risk committee, member of the audit and nominations committees

Strategic value contribution:
- Strategy development and execution
- Marketing
- Business development
- African enterprises

Jackie is the CEO of the African Leadership Institute (AFLI). She is a seasoned strategist who has worked for the IDC and as Strategy Lead at Deloitte Consulting. She was instrumental in setting up the Deloitte Africa Desk and advised clients on accessing opportunities in Africa. She has been recognised by Forbes Africa magazine as one of Africa's Youngest Power Women.

She serves on other boards and is a member of the World Economic Forum's Africa Regional Strategy Group and a member of ONE's Africa Policy Advisory Board. She also lectured and contributed to various academic journals.

KONEHALI GUGUSHE (44)

Independent non-executive director

CA (SA) (SAICA), BCom Accounting (Rhodes University), Post Graduate Diploma in Accounting (UKZN), Certificate in Theory & Practice of Auditing (UKZN)

Appointed 2020

Committee membership:
Member of audit, nominations, risk and transformation, social and ethics committees

Strategic value contribution:
- Financial and investment analysis
- Credit risk management
- Business management
- Strategy formulation
- Risk management
- Governance

Kone is a chartered accountant (SA) with more than 20 years' working experience, spanning over the financial services sector and development finance. Her work experience includes credit risk management, investment analysis and private equity management.

She is currently the chief executive officer of the Nelson Mandela Children's Fund. She is also a non-executive board member for several organisations and is a council member of the University of Johannesburg Council.

BOARD OF DIRECTORS continued

BOARD OF DIRECTORS continued

JANE HOFMEYR (DR) (70)

Independent non-executive director

PhD (WITS)

Appointed 2017

Committee membership:
Member of the nominations, remuneration and transformation, social and ethics committees

Strategic value contribution:
- International and local academia
- Education strategy, research, policy and development
- Public and private education

Jane holds a PhD in education policy studies and is currently an independent education and development consultant, undertaking work for government and companies. She has 30 years' of experience and research in public and private education. She launched and managed the Education Policy Unit of the National Business Initiative, followed by 15 years heading the Independent Schools Association of Southern Africa (ISASA), where she played a pivotal role in its significant growth and development. Jane has served on numerous national education committees and boards of foundations and Otis Elevator (SA).

JONATHAN JANSEN (PROFESSOR) (63)

Independent non-executive director

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

Appointed 2004

Committee membership:
Chair of the transformation, social and ethics committee and member of the nominations committee

Strategic value contribution:
- Transformation, race relations and diversity
- Global and international education
- Tertiary education

Jonathan is distinguished professor of education at the University of Stellenbosch and President of the South African Academy of Science.

He brings to the board extensive experience in higher education management and leadership (dean, vice-chancellor) including experience in accreditation and curriculum change; and considerable experience in research and management consulting in the areas of education policy and planning in schools and universities.

STAFFORD MASIE (45)

Independent non-executive director

Appointed 2014

Committee membership:
Member of the investment, nominations and risk committees

Strategic value contribution:
- Information technology
- Entrepreneur
- Innovation

Stafford has been involved in the IT industry for nearly 20 years. His passion for technology led to senior executive positions at Novell USA and subsequently at Novell South Africa as well as being responsible for establishing Google's presence in South Africa. After leaving Google in 2009, he established his own business and has since established several technology businesses that have expanded globally.
He is known as the inventor of the Thumbzup "Payment Pebble" and "Payment Blade". He continues his entrepreneurial journey today as an inventor in early stage IT start-ups. He also lectures at several business schools, is an international guest speaker on the influence of technology on modern life, society and education. He is currently the CEO of WeWork South Africa.

DIDIER OESCH (54)

Executive director, group commercial director and chief financial officer

BCompt (Hons) UNISA, CA(SA)

Appointed 2005

Committee membership:
Member of the investment and risk committees

Strategic value contribution:
- Financial management and commerce
- Mergers and acquisitions
- Corporate financing
- Corporate governance

Didier qualified as a chartered accountant in 1991, after completing his articles at Betty & Dickson. He gained considerable experience with the Nampak group in various financial positions, culminating in a four-year term in Europe as financial director of Nampak Plastics Europe. Didier joined ADvTECH as group financial manager before being appointed group financial director in 2005. In 2019 he was appointed group commercial director and chief financial officer due to the increase in his area of responsibility.

BOARD OF DIRECTORS continued

KEITH WARBURTON (61)

Independent non-executive director

BCom, CTA (UCT), CA(SA)

Appointed 2015

Committee membership:
Chair of the audit committee, member of the nominations and remuneration committees

Strategic value contribution:
- Commerce and corporate management
- JSE Listed entities and corporate governance
- Investment management

Keith is a chartered accountant who has over 30 years' experience in business and commerce and has held various executive management positions with several JSE Listed entities since qualifying as a chartered accountant at Arthur Andersen. Besides his experience in retailing and wholesaling, he also has experience in corporate finance as well as the steel and manufacturing industries. He worked for Clicks Group Ltd as chief financial officer and then as chief operating officer.

JENS ZIMMERMANN (51)

Independent non-executive director

BA (Business), MBA (Harvard)

Appointed 2018

Committee membership:
Member of the investment, nominations and remuneration committees

Strategic value contribution:
- Global investment management – education sector
- Corporate financing
- Mergers and acquisitions

Jens serves on the boards of numerous international companies and educational groups and has more than 25 years private equity experience. He has a track record of starting and building successful businesses internationally. He was partner and managing director at New Silk Route Growth Capital and co-founded HGU Hamburg Private Equity AG. He led more than 40 private equity investments and has a passion for investing in education.

SHIRLEY ZINN (PROFESSOR) (58)

Independent non-executive director

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

Appointed 2012

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

Strategic value contribution:
- HR management
- Transformation and leadership development
- Education

Shirley is the former group head of Human Resources at Woolworths and deputy global head of Human Resources for the Standard Bank Group. She has also held various other leadership roles in HR management. Currently, she is an Independent non-executive director on the boards of Sanlam, Sanlam Life Insurance, MTN-SA, Spur Corporation and various other companies and trusts.

She consults to various large organisations on HR strategy, transformation, leadership and education. She is an extraordinary professor at the University of Pretoria, and an adjunct professor at the University of Cape Town where she also serves on the university council.

She is the past president of the Institute for People Management South Africa, Harvard Alumni association in SA and is registered as a Master HR Professional with the South Africa Board for People Practice. In 2015, Shirley published an inspirational book about her own personal and professional life.

CORPORATE GOVERNANCE REPORT

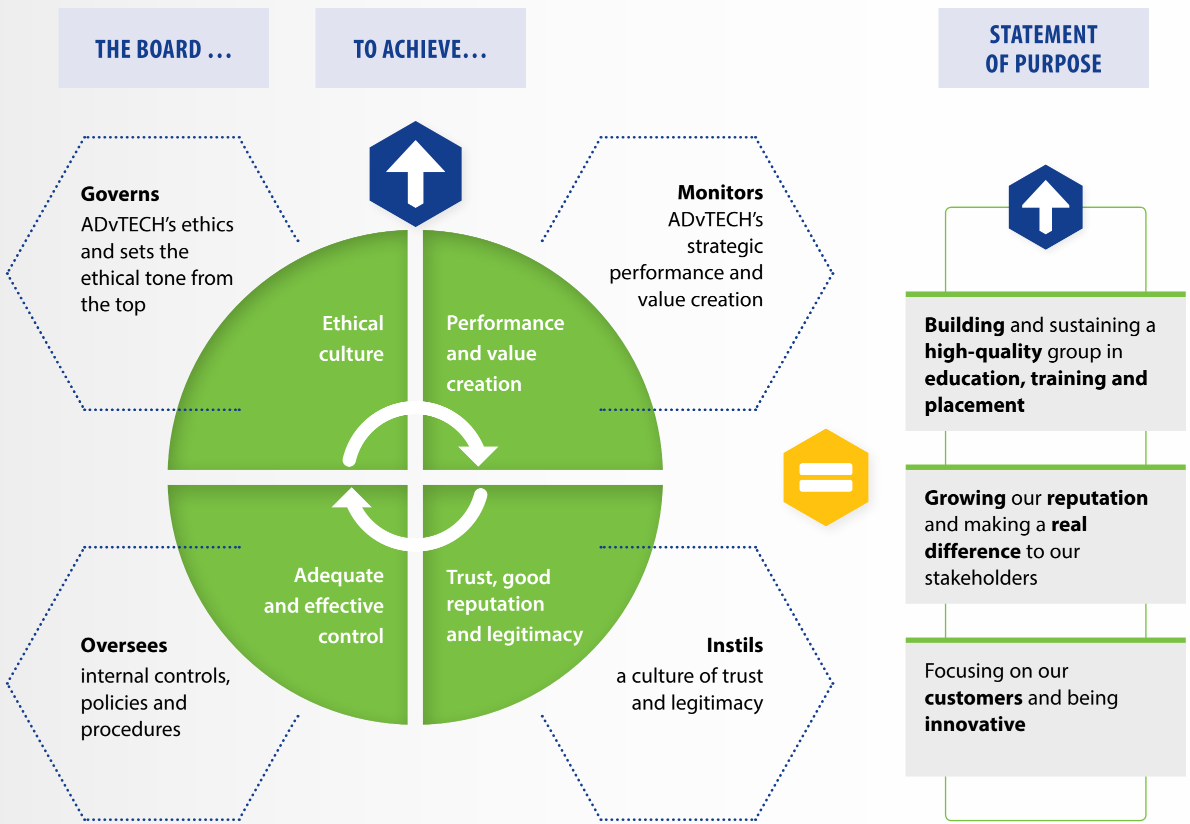
Effective corporate governance is the cornerstone upon which the board and management of the ADvTECH group is based. The board embraces its responsibility for ensuring that the principles of sound corporate governance are observed and incorporated into the leadership and management of the group.

The directors, collectively and individually, acknowledge their fiduciary duties in terms of the Companies Act, King IV™ and the JSE Listings Requirements.

A portfolio of evidence, setting out how the group has applied the principles of King IV™, is available on our website www.advtech.co.za

Achieving governance outcomes

The board remains committed to the principles of King IV™ that ultimately lead to the governance outcomes as depicted below. This is achieved by effective and ethical leadership through continuously reassessing the group's internal controls, policies, terms of reference, procedures and processes, while considering the recommendations contained in King IV™ and making relevant changes when appropriate.



Governance structure

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, through an approved delegation of authority, delegated the implementation and execution of the approved strategy to executive leadership via the group CEO. Executive leadership is responsible for the effective control of all group operational activities, acting as a decision-making body and a medium of communication and co-ordination between the various divisions, group companies and the board.

Governance framework

Leadership operating committees

The newly established leadership operating committees (see page 34) are responsible for making recommendations to the board regarding the group's policies and strategies and for monitoring their implementation and execution in accordance with the board's directives. These committees oversee the identification, assessment, monitoring and reporting of group risks and make recommendations on risk mitigation to the board.

The resourcing division CEO and key senior executives have access to the expertise of the board members and attend board meetings, when appropriate, to ensure optimal alignment between the board and management in the group's strategy implementation.

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

View the leadership operating committees

Board committees

- Audit committee
- Investment committee
- Nominations committee (NomCom)
- Remuneration committee (RemCom)
- Risk committee
- Transformation, social and ethics committee (Tsec)

ADvTECH LIMITED BOARD

Executive and non-executive directors

Leadership operating committee

Business units/divisions

Board composition

The board comprises of eleven directors, with nine non-executive directors and two executive directors, the group CEO and group CD. The non-executive directors, including the chairman, are independent. There is a balance of power on the board and no single individual or group of individuals has unfettered powers to dominate the decision-making of the board.

Executive directors and prescribed officers have standard employment contracts, requiring no more than three months' notice of termination, except for the group CEO which requires six months notice.

Board skills/experience

The board comprises of an appropriate balance of knowledge, skills, experience, diversity and independence to fulfil its role and responsibilities to stakeholders.

CORPORATE GOVERNANCE REPORT continued

Board gender and diversity

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

36%
Black South African representation

45%
Women representation
Target 50%

The boards' diversity policy will be approved in line with the latest JSE Listings Requirements during 2020, taking into account diversity attributes of gender, race, culture, age, field of knowledge, skills and experience.

The Transformation, social and ethics committee (Tsec) monitors performance in relation to this target and will recommend any changes to this target to the board for approval.

Independence

The board comprises of a majority of independent non-executive directors.

9
NON-EXECUTIVE DIRECTORS
- A non-executive chair, who is independent
- Eight other non-executive directors who are all considered to be independent

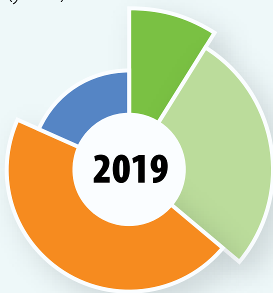
2
EXECUTIVE DIRECTORS
- Group chief executive officer
- Group commercial director and chief financial officer

Board tenure

The nominations committee evaluates the independence of the long tenure non-executive directors.

In 2020, the board adopted a policy that all non-executive directors who have served on the board for 9 years or longer or who are 70 years of age or over are required to stand for re-election on an annual basis. A non-executive director may not serve on the board for longer than 12 years.

Average year of tenure
(years)

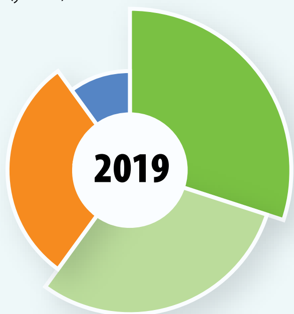


	2019
1 year	1
1 – 4 years	3
4 – 8 years	5
> 8 years	2

Age diversity

The group's succession plan is reviewed periodically and includes succession plans for the chairperson, board members and the CEO and makes provision for succession in both emergency situations and over the longer term.

Average age
(years)



	2019
40 – 49	3
50 – 59	3
60 – 69	3
70 – 79	1

Board chairman

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 as set out in the board charter.

Lead independent director

The board has appointed independent non-executive director, SA Zinn, as its lead independent director, who will lead in the absence of the chairman; chair discussions and decision-making by the board on matters where the chair has a conflict of interest; act as an intermediary between the chairman and other members of the board, where necessary; deal with shareholders' concerns where contact through normal channels has failed to resolve concerns or where such contact is inappropriate and lead the performance appraisal of the chair.

The role and responsibilities of the lead independent director are included in the board charter which is reviewed annually by the board.

Independence and performance

The board reviews the independence of directors on an ongoing basis, taking into account the requirements of the Companies Act and the recommendations of King IV™ and remains satisfied that all board members demonstrate independence of mind and continue to act in the best interests of the company. The board is satisfied that there are no interests, positions, associations or relationships which are likely to unduly influence or cause bias in decision-making.

The board conducted an assessment of the independence of its long serving non-executive directors who have served as independent non-executive directors for more than nine years. In terms of the board policy, all non-executive directors who have served on the board for 9 years or longer or who are 70 years of age or over are required to stand for re-election on an annual basis. A non-executive director may not serve on the board for longer than 12 years.

An informal internal 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.

Board appointment and removal

The board, assisted by the nominations committee, is responsible for recommending new director appointments or filling a vacancy. The nominations committee evaluates suitable candidates and submits nominations to the board. This process considers factors such as knowledge, skills, experiences, personality types, age, gender and race in order to achieve a broad and diverse board composition that will serve the best interests of the group.

The appointment of a new director is subject to approval by shareholders at the first annual general meeting (AGM) held following 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 their fiduciary duties and responsibilities.

Directors are required to disclose their directorships to ensure they are not overcommitted in terms of their representation on other listed or unlisted boards and have sufficient time available to fulfil the responsibilities as a director on the ADvTECH board and committees.

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 as contemplated in section 71 of the Companies Act.

Board changes

The following directorship changes have occurred since the 2019 annual integrated report:

Director	King IV™ classification	Change	Effective date
BM Gourley	INED	Retirement	16 March 2020
JD Jansen	INED	Retirement	28 May 2020
KM Gugushe	INED	Appointment (subject to shareholder approval)	17 April 2020

The board and management wish to thank BM Gourley and JD Jansen for their dedicated and considerable contributions over the years on the ADvTECH board. The board would also like to welcome KM Gugushe and look forward to her valuable contribution to the board.

Annual rotation and election

In terms of the memorandum of incorporation (MoI), one third of all non-executive directors retire by rotation annually. Any director appointed by the board, either to fill a casual vacancy or as an addition to the board, is subject to approval by the shareholders at the first AGM held following their initial appointment.

Directors who have served the longest since their last re-election are selected for rotation at the end of each year. The board has also adopted the policy that all non-executive directors who have served on the board for nine years or longer and/ or have reached the age of 70 or older must stand for re-election on an annual basis.

In accordance with the provisions of the company's MoI and King IV™, CH Boulle, BM Gourley and JD Jansen have been selected for these purposes of which CH Boulle being eligible, has offered himself for re-election. BM Gourley has retired as a board member with effect from 16 March 2020 and JD Jansen will not seek re-election as a director.

Owing to the policy adopted by the board, stating that board members over the age of 70 need to retire by rotation on an annual basis, JM Hofmeyr will also retire by rotation and has offered herself for re-election.

Board of directors and committee membership and attendance

The board has delegated some of its responsibilities to its committees to assist in the execution of its duties. The board has established six committees to assist it in fulfilling its duties and responsibilities more effectively. The delegation of authority to the board committees does not absolve the board from its accountability. 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 members are appointed to committees based on their areas of expertise and experience and consist of a minimum of three non-executive members to satisfy the requirements for the committee composition in terms of King IV™. Non-executive directors should, where possible, not serve on more than three committees to ensure the effectiveness of the board composition. A chairman is appointed from the members of each committee.

Delegation to committees is given by means of a formal terms of reference that are approved and reviewed annually by the board. The board and its committees are satisfied that the board and committees have fulfilled their responsibilities in accordance with their respective terms of reference for this reporting period.

The board met five times during the year. The table below sets out the attendance by the directors at these meetings:

Name of Director	King IV™ classification	**14 March 2019**	**29 May 2019**	**27 August 2019**	**17 October 2019**	**28 November 2019**
CH Boulle (Chair)	INED	✓	✓	✓	✓	✓
JS Chimhanzi	INED	✓	✓	✓	✓	✓
BM Gourley	INED	✓	✓	✓	✓	✓
JM Hofmeyr	INED	✓	✓	✓	✓	✓
JD Jansen	INED	✓	✓	✓	✓	✓
SC Masie	INED	✓	Apology	✓	✓	✓
KDM Warburton	INED	✓	✓	✓	✓	✓
J Zimmermann	INED	✓	✓	✓	✓	✓
SA Zinn	INED	✓	✓	✓	✓	✓
RJ Douglas	ED	✓	✓	✓	✓	✓
JDR Oesch	ED	✓	✓	✓	✓	✓

Board committees

The following disclosure is made in respect of each committee:

- its role and associated responsibilities and functions;
- its composition;
- areas of focus during the reporting period;
- the number of meetings held; and
- attendance at committee meetings is disclosed in this report, including that of external advisers or invitees who regularly attend meetings.

Audit committee

The audit committee is constituted as a statutory committee in terms of section 94(7) of the Companies Act. 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, set out the committee's functions and responsibilities.

The board has recommended that the following directors be appointed to the audit committee at the AGM in May 2020, to hold office until the following AGM:

- KDM Warburton (chairman);
- JS Chimhanzi; and
- KM Gugushe.

The appointment of KM Gugushe as a member of the audit committee is subject to shareholder approval of her appointment as director at the company's annual general meeting in May 2020.

The audit committee met three times during the year. The table below sets out the attendance by the directors at these meetings:

Name of Director	King IV™ classification	13 March 2019	26 August 2019	27 November 2019
KDM Warburton (Chair)	INED	✓	✓	✓
BM Gourley	INED	✓	✓	✓
JS Chimhanzi	INED	✓	✓	✓
CH Boulle	INED	(invitee)	(invitee)	(invitee)

These meetings were attended by the internal and external auditors, the group CEO and group CD, as well as other board members and invitees as considered appropriate by the chairman of the audit committee.

KEY FOCUS FOR 2019

- Monitored the integrity of the financial statements of the company, including its annual and half-yearly reports, preliminary results announcements and any other formal announcement relating to its financial performance;
- Reviewed key judgments and significant matters raised by management, internal and external audit to ensure the accuracy and integrity of financial data disclosed;
- Reviewed the dividend proposals to ensure the group has sufficient resources to make distributions;
- Evaluated the adequacy and effectiveness of the internal control environment;
- Evaluated the independence, effectiveness and performance of the internal audit function;
- Reviewed and approved the annual internal audit plan, ensuring the inclusion of material risk areas, acceptable coverage of business processes and that all reporting requirements were met;
- Recommended to shareholders the appointment of the auditors for the ensuing financial year;
- Reviewed and approved the external auditor's 2019 annual plan, scope of work, audit fees and considered the key audit matters in the external audit report;
- Reviewed the 2019 annual financial statements and annual integrated report;
- Oversaw the preparation of the audit committee report, for inclusion in the annual financial statements;
- Assessed the implementation of IFRS 16: Leases, effective 1 January 2019;
- Assessed compliance with all other statutory requirements in terms of section 94(7) of the Companies Act of 2008, King IV™, JSE Listings Requirements and any other applicable regulatory requirements, and confirmed that no reportable irregularities were identified and reported by the external auditors in terms of the Auditing Profession Act, 26 of 2005;
- Recommended an update and strengthening of the greater risk management environment; and
- Considered the effectiveness of the group commercial director and chief financial officer, Mr JDR Oesch.

A separate report from the audit committee can be found on pages 85 and 86.

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

View the Audit committee report

CORPORATE GOVERNANCE REPORT continued

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, key senior executives 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.

The risk committee met twice during the year. The table below sets out the attendance by the directors at these meetings:

Name of Director	King IV™ classification	13 March 2019	27 November 2019
BM Gourley (Chair)	INED	✓	✓
CH Boulle*	INED	✓	(invitee)
JM Hofmeyr**	INED	✓	n/a
JS Chimhanzi	INED	✓	✓
SC Masie	INED	✓	Apology
KDM Warburton*	INED	✓	(invitee)
RJ Douglas	ED	✓	✓
JDR Oesch	ED	✓	✓

** CH Boulle and KDM Warburton attended the meeting as invitees subsequent to the committee changes at the nominations committee meeting held on the 11 March 2019.*

*** JM Hofmeyr stepped down as member of the risk committee at the nominations committee meeting held on the 11 March 2019*

The external auditors and internal audit manager are permanent invitees who regularly attend these committee meetings.

KEY FOCUS FOR 2019

- Refined the risk policy and the risk register as well as the identification of an appropriate risk appetite and risk tolerance threshold;
- Monitored and oversaw the data privacy, cyber and the group's risk register;
- Monitored and assessed the material risks as well as ensuring risk mitigation strategies are timeously actioned;
- Monitored the regulatory environment;
- Monitored the macro-economic environment;
- Recommended further strengthening of the risk management process; and
- Ensured the group remains operationally and financially resilient during and after the COVID-19 pandemic.

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

Read more about risk management

CORPORATE GOVERNANCE REPORT continued

Remuneration committee (RemCom)

The board has delegated oversight of remuneration to the 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 remuneration committee met three times during the year. The table below sets out the attendance by the directors at these meetings:

Name of Director	King IV™ classification	13 March 2019	18 September 2019	26 November 2019
SA Zinn (Chair)	INED	✓	✓	✓
CH Boulle*	INED	✓	(invitee)	(invitee)
KDM Warburton	INED	✓	✓	✓
JM Hofmeyr	INED	✓	✓	✓
J Zimmermann	INED	✓	✓	✓
RJ Douglas	ED	(invitee)	(invitee)	(invitee)
JDR Oesch	ED	n/a	(invitee)	n/a

* *CH Boulle attended the meeting as invitee subsequent to the committee changes at the nominations committee meeting held on the 11 March 2019.*

The group CEO and group HR executive attend the meetings by invitation, but do not participate in any deliberations regarding their own remuneration. The group CD is occasionally invited to attend the meetings to report on areas within his expertise.

View the RemCom report

KEY FOCUS FOR 2019

- Ensured the remuneration policy is aligned to and promotes the achievement of the group's strategic objectives and encourages individual performance;
- Ensured that annual guaranteed pay, benefits and incentives are appropriately benchmarked to ensure the group is competitive in the employment market;
- Reviewed and approved the performance evaluation of the group CEO, group CD and other executive directors against agreed deliverables;
- Reviewed incentive schemes to ensure alignment to shareholder value creation and that the schemes are administered in terms of the rules;
- Reviewed the remuneration of non-executive directors and recommend the fees for approval by the shareholders at the next annual general meeting;
- Ensured that the remuneration policy and implementation report is put to a non-binding advisory vote at the annual general meeting of shareholders;
- Oversaw the preparation of the remuneration report, to be included in the annual integrated report; and
- Reviewed the succession plans for the board and its committees.

CORPORATE GOVERNANCE REPORT continued

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. Tsec, in terms of this broader mandate, is responsible for the oversight of and reporting on the group's ethics, responsible corporate citizenship, sustainable development, stakeholder relations and transformation. Tsec takes into consideration the needs, interests and expectations of all material stakeholders, in the best interest of the company.

Tsec met three times during the year. The table below sets out the attendance by the directors at these meetings:

Name of Director	King IV™ classification	8 March 2019	28 May 2019	26 August 2019
JD Jansen (Chair)	INED	✓	✓	✓
BM Gourley *	INED	✓	n/a	n/a
JM Hofmeyr	INED	✓	✓	✓
SA Zinn	INED	✓	✓	✓
RJ Douglas	ED	✓	✓	✓

* *BM Gourley stepped down as member of the Tsec committee at the nominations committee meeting held on the 11 March 2019.*

View the Tsec report

View the corporate responsibility report

KEY FOCUS FOR 2019

- Managed stakeholder relations in terms of sustainability, ethics and transformation;
- Established a culture suitable for offering quality education and learning;
- Drove strategies to improve its B-BBEE accreditation; and
- Ensured continued focus on employment equity.

A separate report from the transformation, social and ethics committee is included on page 77 to 79.

CORPORATE GOVERNANCE REPORT continued

Nominations committee (NomCom)

NomCom consists of all independent 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 nominations committee met twice during the year. The table below sets out the attendance by the directors at these meetings:

Name of Director	King IV™ classification	14 March 2019	28 November 2019
CH Boulle (Chair)	INED	✓	✓
JS Chimhanzi	INED	✓	Apology
BM Gourley	INED	Apology	Apology
JM Hofmeyr	INED	✓	✓
JD Jansen	INED	Apology	✓
SC Masie	INED	✓	✓
KDM Warburton	INED	✓	✓
J Zimmermann	INED	✓	✓
SA Zinn	INED	✓	✓
RJ Douglas	ED	(invitee)	(invitee)

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

KEY FOCUS FOR 2019

› Considered the composition of the board and its committees, and made recommendations to the board, where appropriate;

› Considered the board performance assessment and action plans;

› Considered board and executive succession plans;

› Ensured effective induction of new directors; and

› Considered new directors as identified in succession plans and appointing new directors.

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

Investment committee

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

The investment committee met twice during the year. The table below sets out the attendance by the directors at these meetings:

Name of Director	King IV™ classification	11 March 2019	17 October 2019
CH Boulle Chair)	INED	✓	✓
BM Gourley	INED	✓	✓
SC Masie	INED	✓	✓
KDM Warburton	INED	✓	(invitee)
J Zimmermann	INED	✓	✓
SA Zinn	INED	✓	✓
RJ Douglas (group CEO)	ED	✓	✓
JDR Oesch (group CD)	ED	✓	✓

* *KDM Warburton attended the meeting as invitee subsequent to the committee changes at the nominations committee meeting held on the 11 March 2019.*

KEY FOCUS FOR 2019

- Reviewed and considered the financial and other aspects of material investment or disinvestment activity;
- Determined the most appropriate and advantageous method of funding material investments and the best capital structure of the company in pursuing its investment strategy;
- Approved 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;
- Conducted post implementation reviews of acquisitions and major investments; and
- Assisted in the acquisition strategy of the group.

Company secretary

The company secretary provides the directors of the company, both collectively and individually, with guidance as to their duties, responsibilities and powers and the impact of legislative and regulatory developments on the company. The company secretary is independent and has unrestricted access to the board. An arm's length relationship exists between the company secretary and the board. The company secretary is not a member of the board but attends board meetings in the discharge of the company secretary's functions and maintains records of meetings.

Ms KN Piki has been appointed as company secretary of ADvTECH with effect from the 24 March 2020. She has taken over the role from Mr JDR Oesch, who was acting company secretary pending the appointment of a permanent company secretary.

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 a fit and proper person.

Compliance governance

The board oversees compliance with its approved compliance framework and in accordance with good governance. The audit committee is responsible for continual monitoring of the regulatory environment and appropriate responses to changes and developments that impact on the group and reporting on any significant changes to the board.

The legislation and regulations tabled on page 63 constitute relevant obligations on the group, amongst others.

Legislation and regulations

- Companies Act No. 71 of 2008;
- JSE Listings Requirements
- King™ IV Report of Corporate Governance in South Africa;
- Employment Equity Act;
- Broad-Based Economic Empowerment Act and related Codes of Good Practice;
- The South African Schools Act;
- The National Credit Act;
- The Consumer Protection Act;
- The Competition Act;
- Protection of Personal Information Act (POPI);
- Value-Added Tax Act;
- Income Tax Act;
- Higher Education Act;
- National Qualifications Framework Act;
- General and Further Education and Training Quality Assurance 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 local and foreign legislation and regulations.

There were no material or repeated regulatory penalties, sanctions or fines for contraventions of statutory obligations in the 2019 financial year.

Conflicts of interest declarations and related-party transactions

Members of the board 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. A director or employee is prohibited from using his or her position, or confidential or price-sensitive information, to the benefit of himself or herself or any related party. During the year under review, no potential conflicts of interest were disclosed by directors.

The following related party transactions were disclosed by directors and executive management, during the year under review:

Directors

JS Chimhanzi has been awarded a CrawfordSchools™ bursary 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 MD Aitken, DL Honey and FJ Coughlan as prescribed officers in terms of the Companies Act. They are also members of the leadership operating committees.

DL Honey has been awarded CrawfordSchools™ and Vega 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.

Executive leadership

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

Information and technology governance

In response to the rapidly changing environment and the needs and expectations of our stakeholders, our strategy has evolved with an increased focus on digital innovations and technology change. Key actions in place to mitigate the risks include:

- Increasing focus on information and technology risk management;
- Our group technology division working closely alongside our business clusters to deliver on our technology journey;
- Ensuring executive and board oversight, including increased focus on IT and digital discussions at board level and dedicated oversight by the audit and risk board sub-committees;
- Strengthening our second line of defence oversight on IT risk and performing group internal audits as a third line of defence;
- Ongoing implementation of a data management and analytics organisational design and structure, and fit-for-purpose data technology;
- Performing reviews and monitoring to ensure appropriate frameworks, procedures, structures and governance are in place for the consolidation, monitoring, management and reporting of IT risks and exposures on a group basis (e.g. cyberthreats and other regulatory risks); and
- Ensure alignment and implementation of a well-coordinated, efficient, effective and properly resourced IT strategy, which enables the organisation to remain highly competitive.

The board is satisfied that IT governance is properly managed and aligned with business needs and strategy, and that the disaster recovery programme will support the continuity of critical business processes.

CORPORATE GOVERNANCE REPORT continued

Ethics

The board sets the ethical tone and governs the group's ethics in a manner that supports an effective corporate culture within the group. Tsec oversees the group's adherence to these ethical standards and keeps the board apprised of any material ethical matters that may arise. Integrity is fundamental to how the group conducts its business and is expressed in its values as well as interaction with key stakeholders. The group has various processes, policies, codes and controls in place to embed the group's ethical culture. Group employees are required to act with the utmost integrity and objectivity and in compliance with both the letter and the spirit of the law and group policies.

VALUES

The group's values encapsulate our work ethic. These values are communicated to all employees during induction and emphasised regularly.

- **Ethics**
- **People centredness**
- **High quality**
- **Sustainability**
- **Caring and responsible leadership**
- **Respect**

CODE OF CONDUCT

ADvTECH's code of conduct outlines what the group considers appropriate behaviour and is circulated to all employees.

INSIDER TRADING

The group has a board approved policy on insider trading 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.

Dealing in the company's shares by directors and members of the leadership operating committees 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.

UNITED NATIONS GLOBAL COMPACT

ADvTECH embraces the 10 UNGC Principles which cover human rights, labour environment and anti-corruption.

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT (OECD)

The group adheres to the guidelines for multi-national enterprises regarding anti-corruption.

OECD

SUSTAINABLE DEVELOPMENT GOALS (SDGS)

Through our commitment to the United Nations SDGs, we embrace our role in providing quality education as way of building an inclusive society that will uplift future generations.

SUSTAINABLE DEVELOPMENT GOALS

Read more in the corporate responsibility report

REMUNERATION COMMITTEE REPORT

The group remains committed to creating a culture of high performance as well as attracting and retaining high calibre employees to assist us in achieving our strategy and providing shareholder returns.

Herewith you will find the group remuneration report, which includes the remuneration policy and the implementation report. The provisions of King IV™ (read with the JSE Listings Requirements) require that these two documents be submitted for non-binding advisory votes at the AGM of shareholders.

Dear shareholder

On behalf of the Remuneration Committee ("RemCom"), I am pleased to present the group remuneration committee report for the financial year ended 31 December 2019. RemCom has the responsibility to oversee fair, responsible and transparent remuneration within the group.

The composition, number of meetings held and attendance at such meetings of RemCom are shown on page 59.

RemCom is satisfied that appropriate governance structures exist, both at, and below, board level, to recognise and retain top talent and reward employees.

Going forward, RemCom will continue to review the appropriateness of the principles of fair and responsible remuneration and will report any changes in the next remuneration report.

RemCom is satisfied that it has fulfilled its role and responsibilities in terms of its mandate and that the group's remuneration policy has achieved its objectives for the year under review.

The board, on recommendation of the RemCom, approved the remuneration report on the 30 April 2020. Shareholders will be requested to cast a non-binding advisory vote on the remuneration policy and implementation report at the AGM to be held on Thursday, 28 May 2020.

On behalf of the remuneration committee

Professor SA Zinn
Chair: Remuneration committee

30 April 2020

Part 1
Remuneration policy overview

Background statement

ADvTECH seeks to attract, retain, reward and develop high performing employees within the group to promote the achievement of its strategic objectives and to ensure the group's long-term sustainability. The group is committed to ensuring it remunerates fairly, responsibly and transparently to promote and advance diversity and transformation within the group.

Factors influencing remuneration:

Fair and responsible pay

In determining what constitutes fair, responsible and transparent remuneration while balancing positive outcomes in the short-, medium- and long-term, RemCom considered various internal and external factors that influence remuneration. Some of the external factors include the prevailing economic climate, inflation and market benchmarks, while internal factors include the group's performance and affordability, responsibilities and internal benchmarks.

During the year, RemCom reviewed and approved the balanced scorecards for all executive directors, prescribed officers and key senior executives, to ensure alignment with our strategic imperatives. A core component of the executive incentive scheme is to reward individual employee and team performance in meeting agreed key performance objectives and indicators. This performance-based remuneration philosophy is underpinned by a detailed and documented methodology approved by RemCom and sound governance and management principles.

Benchmarking

The guaranteed remuneration and other benefits of executive directors, prescribed officers and other key senior executives are benchmarked periodically against the market and are aligned with group performance to ensure that remuneration packages remain competitive and appropriate. Employee salary increases and share incentives for the 2019 financial year were considered and recommended for approval.

Non-executive director fees are benchmarked annually with the assistance of external consultants who are considered independent from the group.

REMUNERATION COMMITTEE REPORT continued

Recent voting result on remuneration policy

Extensive shareholder engagement took place in the prior year to ascertain reasons for the votes against the group's remuneration policy. Following this engagement, the group addressed relevant concerns and enhanced its remuneration disclosure. This resulted in a significant improvement in votes in favour of the remuneration policy and implementation report, as can be seen from the table below.

We remain committed to meeting shareholder expectations through effective and transparent shareholder engagement on our remuneration policy, implementation and disclosure.

Results of the non-binding advisory vote

Remuneration policy

	2019	2018
Votes in favour	85.27%	72.48%
Votes against	14.73%	27.51%
Abstentions	0.89%	2.37%

Implementation report

	2019	2018
Votes in favour	86.78%	Not applicable as inaugural implementation report tabled in 2019.
Votes against	13.22%	
Abstentions	0.13%	

The remuneration policy and implementation report will be presented to shareholders for approval at the AGM. In the event that 25% or more of the shareholders vote against either or both the remuneration policy and implementation report, ADvTECH will engage with shareholders in accordance with the format and requirements of the JSE Listings Requirements.

During the year under review, RemCom focused on the following areas:

KEY FOCUS AREAS IN 2019

- Approval of the RemCom annual calendar for 2020
- Review of the remuneration report and policy and implementation thereof
- Obtaining feedback and responding to shareholders' feedback on ADvTECH's remuneration policy
- Approval of the alignment of the salary increase cycle to April for the education divisions. This transition to be managed over a two-year period
- Review the group's skills audit of senior level management across the group's three main divisions in line with succession plans
- Approval of the mandate for salary increases
- Approval of cost to company increases for employees who earn above R1.5 million
- Approval of cost to company remuneration packages for new employees who earn above R1.5 million
- Review and approval of fees payable to non-executive directors, including increases
- Approval of long-term incentive awards and targets
- Approval of the short-term incentive scheme outcomes for 2019
- Review and recommendation of the remuneration report to the board for approval

LOOKING AHEAD

Going forward, RemCom will focus on:

- Review of the remuneration policy and practices to ensure alignment with King IV™
- Obtain feedback and addressing possible concerns from shareholders regarding the group's remuneration policy
- Approve the short-term incentive scheme targets
- Ensuring that the search for skilled employees and rewarding of existing skills remains a priority
- Approval of the long-term incentive awards and targets
- Approval of the short-term incentive scheme outcomes for 2020
- Review of notice periods for executive directors and prescribed officers

Remuneration policy

RemCom has developed competencies for identified key roles that, together with psychometric assessments, are used to validate the skills of the people we hire.

KEY PRINCIPLES OF OUR PHILOSOPHY THAT SHAPE AND GUIDE OUR REMUNERATION POLICY AND SUPPORT VALUE CREATION	
Attracting crucial skills to provide world-class education and recruitment	**Rewarding our employees for achieving strategic and operational priorities which in turn strengthens our ability to retain talented individuals**
Short-term incentives to recognise superior performance	**Long-term incentives as a retention and reward mechanism for key executives and managers to ensure continued alignment between management and stakeholder objectives for the long-term sustainability of the business**

RemCom seeks to entrench a culture of high performance by aligning the group's remuneration philosophy with its business objectives, values, purpose and strategy. It also ensures that remuneration practices are based on principles of sound governance. RemCom is of the view that the remuneration policy has achieved its stated objectives for the year under review.

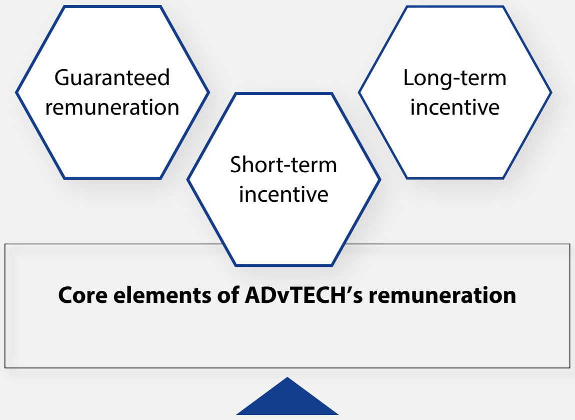
Key to this process is RemCom's independence in determining the remuneration and bonus policies for all employees, and in reviewing and approving of remuneration and bonuses payable to key senior executives.

Conditions of employment are reviewed against best practice and, where necessary, improvements to conditions of employment are implemented with due regard to the cost implications and the impact on staff. In an education environment, non-material aspects (such as study leave and study assistance) are welcomed by employees.

A review of the remuneration policy and its implementation is undertaken annually to ensure that it fulfils its purpose.

Remuneration structure

Remuneration is structured to attract and retain employees and provide incentives for exceptional performance. This is achieved through a combination of guaranteed remuneration, incentive rewards of a short- and long-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. Executive management is offered a remuneration structure similar to that of senior and management employees, with the same three elements.



REMUNERATION COMMITTEE REPORT continued

Executive remuneration structure

Our remuneration policy seeks to achieve a suitable balance between guaranteed and variable remuneration. Variable short-term incentives and long-term incentive awards are each limited to a maximum of 100% of guaranteed remuneration in the case of the group CEO and 80% for the group CD. RemCom considers this to be an appropriate structure to reward achievement of both short- and long-term objectives.

Remuneration component	ADvTECH's policy	Type of pay
Guaranteed remuneration Includes salary and employee benefits on a cost to company basis	› Reflects individual contribution and market value relative to the role and to recognise skill and experience › Determined by the complexity of the role, market value and the ongoing review of the employee's personal performance and contribution to the group's overall performance and values › Reviewed annually with increases taking effect in April.	**Fixed pay** Monthly payment after deducting contributions to retirement funding and medical scheme where applicable
Short-term incentive bonus scheme	Rewards management on achieving group performance and their respective KPAs. The participant's potential eligibility percentages will depend on the participant's job grade with the threshold for executive directors as follows: › group CEO (maximum of 100% of guaranteed remuneration) › group CD (maximum of 80% of guaranteed remuneration).	**Variable pay** Paid annually
Long-term incentive (MSI)	Intended to attract and retain senior management and reward sustainable value creation that aligns with stakeholders' interests over the long-term. The awarding of shares under this scheme is based on meeting agreed performance targets. The maximum award in terms of the MSI scheme is as follows: › group CEO (maximum of 100% of guaranteed remuneration) › group CD (maximum of 80% of guaranteed remuneration).	**Variable pay** Awarded annually and vests after three years

See page 69 for further details on the MSI scheme.

Group CEO and CD

The group CEO and group CD's total achievable remuneration packages reflected below are based on the maximum targets under the short- and long-term incentive schemes:

	Guaranteed remuneration	Variable remuneration: Short-term incentive	Variable remuneration: Long-term incentive
Group CEO	33.4%	33.3%	33.3%
Group CD	38%	31%	31%

RemCom considers this to be an appropriate mix to reward achievement of both short- and long-term objectives.

SHORT-TERM INCENTIVES

Objective

To reward the achievement of short-term individual employee and group objectives.

Eligibility

Executive directors, prescribed officers, senior executives and managers participate in an annual STI plan.

STI formula

The STI formula is as follows:

Bonus paid if targets are met:

Annual guaranteed package

×

Potential eligibility (%)

×

Weighted average score of achievement

Balanced scorecard

The RemCom has approved the following performance conditions and targets:

Financial KPAs:

› Earnings before interest and taxation (EBIT) – 50%
› Return on funds employed – 20%

Non-financial KPAs:

› These KPAs are aligned to the group's strategic objectives and mitigation of key risks to ensure the group's long-term sustainability – 30%

Each executive's personal KPAs are aligned to the above, based on their portfolio and the areas under their influence.

Committee discretion

RemCom approves the targets, the measurement of their achievement against these targets and the resultant bonus to be paid. RemCom has discretion to award an ex-gratia bonus in exceptional circumstances. This includes where an individual has delivered exceptional results despite the group or divisional performance not being met or where extraneous factors outside the control of executives are considered to have impacted on the overall performance, resulting in the targets not having been met.

No discretionary bonuses were granted during the year under review.

REMUNERATION COMMITTEE REPORT continued

LONG-TERM INCENTIVES: MANAGEMENT SHARE INCENTIVE (MSI) SCHEME

The MSI scheme provides annual awards of forfeitable shares in the form of performance and retention shares to eligible participants.

The shares automatically vest in full after three years, on the achievement of the set targets and provided the individual is employed on the vesting date and a minimum individual performance rating has been achieved over the three-year period.

The first award (a total of 1 781 289 shares) was made on 28 September 2017 and vests in 2020. The second award (a total of 2 266 166 shares) was made on the 27 September 2018 and vests in 2021. The third award (a total of 3 064 911 shares) was made on 18 September 2019 and will vest in 2022.

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 rights under the old scheme (share incentive scheme 2010) and all rights to vesting of the old scheme from 2021 onwards were forfeited.

THE REMCOM CONSIDERS THE FOLLOWING REGARDING RETENTION AWARDS

Business critical skills	Scarce skills	Succession planning	Top performers

The split in shares under the 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.

THE MSI SCHEME PROMOTES

Good performance in relation to predetermined performance objectives	Retention of valuable skills and experience	Enhanced alignment of executive's awards management with shareholders interests

Objective

- drive the longer-term strategic and sustainable performance of the group
- motivate participants to achieve the strategic objectives, thereby aligning shareholder and management interests
- reward management for their contribution to the delivery of 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 the group
- facilitate succession planning
- alignment with current market practice and King IV™

Eligibility

- Executive directors
- Prescribed officers
- Senior executives
- Managers

MSI formula

The MSI formula is as follows:

The MSI formula is as follows:

Number of shares awarded

×

Weighted average score of achievement

Balanced scorecard

RemCom has approved the following performance conditions and targets:

Gateways:

- achievement of the minimum average growth in normalised earnings per share (NEPS) target
- achievement of the minimum return on funds employed target
- achievement of a minimum individual performance rating

The participant must still be in the employ of the group at vesting date.

Committee discretion

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

- individual participants based upon retention need
- level of awards based on market benchmarks
- allocation of awards between performance and retention share
- classification of termination (good or bad leaver) on a case-by-case basis
- performance measures, weightings and targets
- vesting period and basis of vesting

View our strategic objectives

REMUNERATION COMMITTEE REPORT continued

	2017 Awards	2018 and 2019 Awards
TARGET 1 75% NEPS	Compound annual growth rate of a minimum of 160% of the average CPI for the performance period with the maximum shares awarded at 247% of the average of CPI	Compound annual growth rate of a minimum of the average CPI for the performance period with the maximum shares awarded at an average of CPI +7%
TARGET 2 25% ROFE*	Minimum target of 135% of the Weighted Average Cost of Capital (WACC)** with the maximum shares awarded at 165% of WACC	Minimum target of WACC +2% with the maximum shares awarded at WACC +6%

Shares are awarded proportionately between the minimum and maximum targets.

* *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 are 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.*

Termination of employment or office

Non-executive directors are appointed in terms of a formal letter of acceptance and are not required to service notice periods. In terms of the group's policy, all directors who have served on the board for nine years or longer or who are 70 years of age or over are required to stand for re-election on an annual basis. A non-executive director may not serve on the board for longer than 12 years.

Executive directors, prescribed officers and other key senior management are employed on standard employment agreements.

Employment contracts for executive management do not provide for termination payments arising from incapacity, dismissal, voluntary resignation, retirement, retrenchment or redundancy. In addition, no contracted balloon payments are due to executives upon termination.

Notice period

The following notice periods are in place:

	Notice period
Non-executive directors	None
Group CEO	6 Months
Group CD	3 Months
Prescribed officers	3 Months

Voting on the remuneration policy

The shareholders of ADvTECH will be requested to cast a non-binding advisory vote on the remuneration policy at the AGM on Thursday, 28 May 2020.

Our remuneration policy sets out the principles used to ensure competitive remuneration while complying with all applicable laws and codes. This policy applies to the payments, accruals and awards made to executive directors, non-executive directors, senior executives and prescribed officers for the year ended 31 December 2020.

Part 2: Implementation report

Guaranteed remuneration – Executive directors, prescribed officers and senior executives

During 2019, the increases to executives' guaranteed remuneration were linked to CPI and adjusted according to individual performance ratings. The same method will be applied in 2020.

Short-term incentives

During the year under review, the NEPS target was not met and ROFE target was partially met.

Based on the group's balanced scorecard, additional non-financial performance goals or KPAs were formulated in line with our strategic objectives. These individual KPAs are aligned to the executive's area of influence.

	Target measures	
Growth	Achieved organically and through acquisitions	Target met
Academic excellence	Achieved through remaining up to date with developments in pedagogy and supporting tools, including technology and implementing those that will drive improved academic performance	Target largely met
Excellence through specialisation	Achieved by targeting high demand niche markets with special skills and continuously refreshed candidate database	Target partially met
Product innovation	Drive relevant, innovative and sustainable product development. Provide value-adding services to enable our brands to focus on their core functions	Target partially met
Human capital productivity	Create conditions to attract and retain critical skills and high performance	Target partially met
Capital productivity	Achieved through identifying the most appropriate investment opportunities and leveraging the associated benefits, while protecting and enhancing the respective assets for the best returns	Target partially met
Transformation	Aimed at achieving social and transformation justices to reflect our nation's demographics	Target largely met
Reputation	Achieved through our customer value proposition and delivery of academic excellence	Target met
Customer focus	Proactively strive to understand the customer experience to simplify and improve their interactions with all parts of the business	Target partially met
Regulations	Ongoing monitoring of the regulatory environment to mitigate any risk associated with non-compliance identified	Target met

Target

Target met

Target largely met

Target partially met

View our strategic objectives

View our performance against strategic objectives

Outcome of executive bonuses

The NEPS targets were not met for the year under review but the ROFE target was partially met. Therefore, bonuses approved for executives are due to the partial achievement of the ROFE target and their achievement against individual KPAs. The bonuses due to the group CEO and group CD are disclosed alongside.

Executive bonuses due for the year under review amounted to 27% (2018: 13%) of the total bonus opportunity.

Executive director, prescribed officer and senior executive remuneration

Emoluments paid to executive directors and prescribed officers of the group for the year ended 31 December 2019.

	Salary R	Bonus R	Expense allowance R	Provident fund contribution R	**Total 2019 R**
Executive					
RJ Douglas	3 853 259	1 472 408	180 000	514 240	**6 019 907**
JDR Oesch	2 840 749	738 822	150 000	381 320	**4 110 891**
Total executive	6 694 008	2 211 230	330 000	895 560	**10 130 798**
Prescribed Officers					
MD Aitken	2 469 509	563 471	271 020	194 213	**3 498 213**
FJ Coughlan	2 396 147	421 572	211 020	313 159	**3 341 898**
DL Honey	2 813 161	790 352	221 916	370 918	**4 196 347**
Total prescribed officers	7 678 817	1 775 395	703 956	878 290	**11 036 458**

Emoluments paid to executive directors and prescribed officers of the group for the year ended 31 December 2018.

	Salary R	Bonus R	Expense allowance R	Provident fund contribution R	**Total 2018 R**
Executive					
RJ Douglas	3 787 295	492 000	186 000	505 830	**4 971 125**
JDR Oesch	2 665 153	503 000	150 000	358 932	**3 677 085**
Total executive	6 452 448	995 000	336 000	864 762	**8 648 210**
Prescribed Officers					
MD Aitken	2 443 569	–	257 376	192 268	**2 893 213**
FJ Coughlan	2 235 319	442 000	188 610	292 653	**3 158 582**
DL Honey	2 615 347	616 000	210 828	345 697	**3 787 872**
Total prescribed officers	7 294 235	1 058 000	656 814	830 618	**9 839 667**

REMUNERATION COMMITTEE REPORT continued

Long-term incentives

MSI Scheme

The directors and prescribed officers were awarded the following shares at 31 December 2019:

	Share awards as at 31 December 2018	Share awards awarded during the year	Share awards vested during the year		**Share awards as at 31 December 2019**
	Number	Number	Number	Benefit arising on vesting of awards (R)	**Number**
Directors					
RJ Douglas	246 806				**246 806**
	301 758				**301 758**
		397 162			**397 162**
JDR Oesch	140 105				**140 105**
	171 300				**171 300**
		238 985			**238 985**
Prescribed officers					
MD Aitken	128 624				**268 624**
	155 793				**155 793**
		205 048			**205 048**
FJ Coughlan	89 614				**89 614**
	110 079				**110 079**
		155 747			**155 747**
DL Honey	140 007				**140 007**
	171 180				**171 180**
		242 198			**242 198**
Total	1 655 266	1 239 140			**2 894 406**

Vesting outcomes

The 2017, 2018 and 2019 awards vest in 2020, 2021 and 2022 respectively. The performance against conditions can only be measured on vesting date and therefore there are no vesting outcomes to report.

REMUNERATION COMMITTEE REPORT continued

Share incentive scheme:

The directors and prescribed officers held the following share options at 31 December 2019:

	Share options as at 31 December 2018		Share options lapsed during the year		Share options exercised during the year			**Share options as at 31 December 2019**
	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	40 000	664	40 000	664				**–**
	83 333	820						**83 333**
	50 000	1 260						**50 000**
	55 533	1 696						**55 533**
JDR Oesch	40 000	664			40 000	1 127	185 200	**–**
	50 000	1 260						**50 000**
	41 100	1 696						**41 100**
Prescribed officers								
MD Aitken	11 667	1 696						**11 667**
FJ Coughlan	72 000	1 260						**72 000**
	30 133	1 696						**30 133**
DL Honey	40 000	664			40 000	1 083	167 600	**–**
	80 000	1 260						**80 000**
	41 000	1 696						**41 100**
Total	634 866		40 000		80 000		352 800	**514 866**

No new awards have been granted since the introduction of the MSI scheme in 2017 and once existing options have been exercised, this scheme will be terminated.

Non-executive director remuneration

ADvTECH seeks to appoint and retain high calibre non-executive directors to ensure meaningful deliberations of the board. RemCom recommends to the board the fees to be paid to non-executive directors during the year. Non-executive directors' remuneration is based on a combination of an annual retainer and attendance fees.

The fees payable to non-executive directors were approved by special resolution of the shareholders at the AGM held on 30 May 2019, as required by the Companies Act. The voting outcomes on the non-executive director fees were as follows:

Non-Executive Directors' Fees	Votes in favour	Votes against	Abstentions
2019	**99.83%**	**0.17%**	**0.13%**
2018	99.99%	0.01%	0.13%

REMUNERATION COMMITTEE REPORT continued

Non-executive directors' fees for 2019

Non-executive directors' fees are based on attendance on board, committee and ad hoc committee meetings. An additional fee is payable to the chairman of the board and committees.

Non-executive director emoluments

	Board R	Audit committee R	Risk committee R	Remuneration committee R	Transformation, social and ethics committee R	Investment committee R	**Total 2019 R**	Total 2018 R
CH Boulle	586 356	–	16 714	15 026	–	96 115	**714 211**	919 326
JS Chimhanzi	324 439	88 484	51 125	–	–	–	**464 048**	461 766
BM Gourley	389 327	106 182	115 337	–	23 462	61 350	**695 658**	868 598
JM Hofmeyr	324 439	–	16 714	54 203	69 007	–	**464 363**	490 196
JD Jansen	324 439	–	–	–	117 980	–	**442 419**	432 130
SC Masie	298 484	–	43 259	–	–	51 125	**392 868**	416 588
KDM Warburton	324 439	161 750	16 714	54 203	–	16 714	**573 820**	723 110
JS Zimmermann	389 327	–	–	65 044	–	61 350	**515 721**	362 255
SA Zim	324 439	–	–	75 683	69 007	51 125	**520 254**	521 419
Total non-executive	3 285 689	356 416	259 863	264 159	279 456	337 779	**4 783 362**	5 195 388

An amount of R292 002 relating to value-added tax was paid on directors' fees.

Annual fees payable to non-executive directors

The committee has proposed a 5% increase in non-executive directors' fees for 2020, which will be tabled at the next annual general meeting, to be held on Thursday, 28 May 2020 for shareholder approval.

Proposed annual fee: June 2020 to June 2021 (all fees are exclusive of VAT)

	2020		2019	
Board/Committee	Proposed retainer fee R	Proposed fee per meeting attended R	Retainer fee R	Per meeting attended R
Directors	204 397	27 253	194 664	25 955
Audit committee	55 745	12 388	53 090	11 798
Risk committee	37 163	8 259	35 393	7 866
Remuneration committee	38 331	6 194	36 506	5 899
Transformation, social and ethics committee	43 474	9 661	41 404	9 201
Investment committee	37 163	8 259	35 393	7 866

Additional fee payable to chairman of board/committee:

	2020		2019	
Board/Committee	Proposed retainer fee R	Proposed fee per meeting attended R	Retainer fee R	Per meeting attended R
Chairman of board	165 004	22 002	157 147	20 954
Audit committee	46 157	10 257	43 959	9 769
Risk committee	32 703	7 268	31 146	6 922
Remuneration committee	15 192	2 454	14 469	2 337
Transformation, social and ethics committee	30 852	6856	29 383	6 530
Investment committee	32 703	7 268	31 146	6 922

A premium of 20% payable to non-resident non-executive directors was approved by shareholders and will be proposed again for 2020.

TRANSFORMATION, SOCIAL AND ETHICS COMMITTEE REPORT

ADvTECH supports the principles of good corporate governance and adheres to the principles of ethical leadership, corporate citizenship, stakeholder inclusivity and sustainable development.

The Transformation, social and ethics committee (Tsec) is established in terms of section 72(5) of the Companies Act, No. 71 of 2008 ("the Companies Act") and addresses issues as outlined in Regulation 43 of the Regulations to the Companies Act. Tsec acts under the requirements of the Companies Act and a charter that is approved by the board. Tsec assists the board in monitoring and reporting on the group's performance against its social, ethical, transformation and sustainability objectives and practices, to ensure that the organisation is a good corporate citizen.

Accordingly, this report has been prepared in accordance with the requirements of the Companies Act and describes how Tsec has discharged its statutory duties, as well as additional duties assigned to it by the board during the year under review.

Read more in the corporate responsibility report

Committee members

During the year under review, Tsec consisted of three suitably qualified and experienced independent non-executive members of the board and the group CEO:

JD JANSEN (CHAIR)

SA ZINN

JM HOFMEYR

RJ DOUGLAS (CEO)

The CEOs of the operating divisions of the group attend all the meetings, as does the group HR executive and other members of management, at the request of Tsec. Members' attendance at the meetings is contained in the schedule included in the corporate governance report on page 60.

Tsec's terms of reference require that Tsec meet at least twice annually. During the year under review, Tsec met three times.

Role and responsibilities

Tsec operates in terms of a formal mandate that sets out its terms of reference, composition, roles, responsibilities and statutory duties. The mandate is reviewed on a regular basis and, where appropriate, amended.

In accordance with its statutory duties, Tsec monitors and reports on the following:

- the group's compliance with applicable legislation, including the Companies Act;
- King IV™, the ten principles set out in the United Global Compact Principles and the recommendations of the Organisation for Economic Co-operation and Development (OECD) regarding corruption;
- the group's progress against annually approved targets for transformation in terms of the Employment Equity Act and Broad-Based Black Economic Empowerment (B-BBEE) Act;
- corporate social investment (CSI) undertaken by the group within the operating divisions and at a corporate level;
- the group's compliance with health and safety regulations and the environmental aspects of the business, including the promotion of equality, the prevention and combating of corruption, and compliance with public relations and consumer protection laws; and
- engagement with the group's stakeholders.

IN PARTICULAR, DURING 2019

Tsec reviewed and considered:

- reports on CSI projects undertaken by the group;
- the groups' corporate responsibility report;
- the group's efforts to encourage diversity and advance the objectives of equality throughout the group;
- the group's defined transformation objectives and targets;
- reports on labour and empowerment-related matters;
- the revised B-BBEE Codes of Good Practice, as well as its implications for the group;
- the group's B-BBEE ratings;
- the group's ethics hotline register, including results of internal investigation and action taken;
- the process of reviewing policies to ensure appropriateness, fairness, relevance and alignment. This included the benchmarking of ADvTECH policies against current best practice; and
- the board's diversity policy in line with King IV™ and the JSE Listings Requirements.

TRANSFORMATION, SOCIAL AND ETHICS COMMITTEE REPORT continued

Ethics

The board adheres to the principles of ethical leadership and creating an ethical culture. 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 all activities. The values are reviewed regularly to ensure that they remain current and relevant.

B-BBEE

ADvTECH Resourcing (Pty) Ltd has been rated a Level 4 B-BBEE contributor, which resulted in a total procurement recognition level of 100% for the calculation of the weighted B-BBEE procurement spend.

The group has analysed the amendments to the Codes of Good Practice for B-BBEE and, in conjunction with the Department of Labour and external consultants, the group is striving to meet its statutory obligations and improving the group's B-BBEE scores from year to year. We continue to make further improvements and have implemented several initiatives in this regard.

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. A well-developed talent review process is used to identify candidates from previously disadvantaged groups with high potential in order to develop them.

Our management and leadership development programmes are focused on ensuring fair representation and participation by black talent. During 2019 a number of disability awareness campaigns were undertaken to educate our employees about different types of disabilities. To this end, several employees came forward to declare their disabilities and the group is working to support them and ensure a culture of inclusivity.

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

A more detailed account of Tsec's activities about the above can be found in the corporate responsibility report.

On behalf of the Transformation, social and ethics committee

Professor JD Jansen
Chair: Transformation, social and ethics committee
30 April 2020

2019 AUDITED ANNUAL FINANCIAL STATEMENTS

CONTENTS

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The directors are required by the Companies Act, No 71 of 2008 of South Africa, as amended ("the Companies Act"), to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements of ADvTECH Limited and its subsidiaries and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company and the group as at the end of the financial year and the results of its operations and cash flows for the year then ended in conformity with International Financial Reporting Standards (IFRS), the Companies Act and the JSE Listings Requirements. The external auditors are engaged to express an independent opinion on the financial statements.

In preparing the annual financial statements, the group used appropriate accounting policies, supported by reasonable and prudent judgement and estimates, and prepared the annual financial statements in accordance with IFRS. The directors are of the opinion that the annual financial statements fairly present the financial position of the company and the group as at 31 December 2019, and the results of its operations and cash flows for the year then ended. The directors have considered the company's and the group's past results, expected future performance and reasonable changes thereto, and access to its funding, material and other resources, and in light of this review and the company's and the group's current financial position, are satisfied that the company and the group have access to adequate resources to continue in operational existence for the foreseeable future as a going concern.

The directors are responsible for the systems of internal control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the annual financial statements, to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect material misstatement and loss.

Based on the results of a formal documented review of the group's system of internal control and risk management by the internal audit function during the year and the information and explanations given by management nothing has come to the attention of the directors which indicates that, in all material aspects, the group's system of internal control and risk management is not effective and that the internal financial controls do not form a sound basis for the preparation of reliable annual financial statements. The opinion of the directors is supported by the group's audit committee.

The consolidated and seperate financial statements have been audited by the independent auditing firm, Deloitte & Touche, who were given unrestricted access to all financial records and related data, including minutes of all meetings of the shareholders, the board of directors and committees of the board. The directors believe that all representations made to the independent auditors during the audit were valid and appropriate. Their unmodified report appears on pages 82 to 84.

The preparation of the group's consolidated financial statements for the year ended 31 December 2019 was supervised by JDR Oesch CA(SA), the group's commercial director and chief financial officer.

The annual financial statements of the company and the group set out on pages 85 to 151, which have been prepared on the going concern basis, were approved by the board of directors on 19 March 2020 and were signed on its behalf by

CH Boulle
Chairman

RJ Douglas
Chief executive officer

JDR Oesch
Group commercial director and chief financial officer

CERTIFICATE BY GROUP COMPANY SECRETARY

In accordance with the provisions of the Companies Act, I certify that, in respect of the year ended 31 December 2019, that ADvTECH Limited has lodged with the Commissioner of the Companies and Intellectual Property Commission (CIPC) all returns and notices prescribed by the Companies Act and that all such returns and notices are true, correct and up to date.

JDR Oesch
Acting group company secretary

19 March 2020

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 (the Group and Company) set out on pages 89 to 151, which comprise the consolidated and separate statements of financial position as at 31 December 2019, and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group as at 31 December 2019, 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 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 sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively. 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 and separate 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.

<table>
<tr><th>Key audit matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><td colspan="2">Valuation of allowance for expected credit losses</td></tr>
<tr><td>The Group reflected R547.7 million (2018: R449.1 million) worth of trade receivables as at 31 December 2019 as disclosed in note 21 to the consolidated financial statements against which an allowance for expected credit losses of R301.2 million (2018: R237.9 million) has been recognised.

The Group is required by the applicable accounting standards to determine and recognise an appropriate allowance for doubtful debts based on future expected credit losses. 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 trade receivables balance requires a high degree of judgement and estimate by the directors.

In determining the allowance for doubtful debts, the director's valuation incorporates a number of key judgements and estimates which include: the projection of the amounts, timing of future cash inflows related to the receivables, whether the student is still in attendance, potential financial difficulty of the student and general economic conditions.

Accordingly, the determination of the allowance for expected credit losses is considered to be a key audit matter.</td><td>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:

› Assessing the 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 for doubtful debts at a brand level as a proportion of total debtors and revenue to identify and investigate unusual fluctuations;
› Comparison of the ageing of receivables within the tertiary division over a period of time to identify unusual trends;
› Assessment of returning students compared to those who have left;
› Analysing projected cash flows to determine if they are supportable given future expected performance;
› Testing the mathematical accuracy of the valuation; and
› Evaluating the disclosure in the consolidated financial statements.

We found the key judgements applied and the estimates 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.</td></tr>
</table>

<table>
<tr><th>Key audit matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><td colspan="2">Acquisition of the IIE MSA (formerly Monash South Africa)</td></tr>
<tr><td>
The Group acquired IIE MSA in the current year for a consideration that was determined to be R436.0 million with a resulting gain on bargain purchase of R6.1 million.
The accounting for acquisitions of businesses is governed by IFRS 3 Business Combinations (IFRS 3), the requirements of which can be complex and requires the directors to exercise judgement in determining the fair value of the assets acquired and any related goodwill or intangible assets to raise.
The purchase price allocation as required by IFRS 3 was performed by the directors; however, an external expert was appointed to value the property acquired.
The most significant judgements included:

The identification and valuation of intangible assets acquired as part of the business combination (including the determination of an appropriate valuation methodology, the reasonability of forecast future cash flows and the appropriate weighted average cost of capital rate);
Determination of the fair value of any intangible assets identified as well as the fair value of the property acquired; and
Allocation of the purchase price to the assets and liabilities acquired, and resultant gain on bargain purchase.

Due to the value of the acquisition and the level of judgement involved, we identified the acquisition of IIE MSA as a key audit matter.
</td><td>
Identification and valuation of intangible assets
We involved our internal valuation specialists to assist with the audit of the purchase price allocation which included:

Assessing whether the identified intangible assets are appropriate;
Evaluating the valuation methodology applied in valuing the intangible assets, including an assessment of the reasonability of forecast future cash flows;
Evaluating the weighted average cost of capital rate used in the valuation; and
Evaluating whether an appropriate gain on bargain purchase has been determined.

Valuation of the property acquired
We critically analysed the valuation performed by the external expert appointed by the directors in order to value the property acquired. We evaluated the independence, competence and expertise of the external expert appointed by the directors to value the property.
Allocation of the purchase price
With the assistance of our internal valuation specialists, we evaluated the allocation of the purchase price to the assets and liabilities acquired.
Based on the results of our procedures, we found that judgements used were appropriate.
Disclosure
We reviewed the disclosure in the consolidated financial statements against the IFRS 3 Business Combinations disclosure requirements and determined that the disclosure is appropriate.
</td></tr>
</table>

Other information

The directors are responsible for the other information. The other information comprises the information included in the Document titled "AdvTech Limited Annual Financial Statements for the year ended 31 December 2019", which includes 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 report, and the Annual Integrated Report, which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

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

If, based on the work we have performed on the other information 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 the 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

INDEPENDENT AUDITOR'S REPORT

to the shareholders of ADvTECH Limited *(continued)*

intend to liquidate the Group and/or the 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 and separate financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's 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 the 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 and separate 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 and/or the 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 directors 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 directors 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 directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of ADvTECH Limited for 18 years.

Deloitte & Touche

Deloitte & Touche
Per: H Loonat
Partner
Registered Auditor

23 March 2020

Deloitte
5 Magwa Crescent, Waterfall City, Waterfall, South Africa

National Executive: *LL Bam **Chief Executive Officer** *TMM Jordan **Deputy Chief Executive Officer Clients and Industries** *MJ Jarvis **Chief Operating Officer** *AF Mackie **Audit & Assurance** *N Sing **Risk Advisory** DP Ndlovu **Tax and Legal** TP Pillay **Consulting** *JK Mazzocco **People & Purpose** MG Dicks **Risk Independence & Legal** *KL Hodson **Financial Advisory** *B Nyembe **Responsible Business & Public Policy** *TJ Brown **Chairman of the Board**

A full list of partners and directors is available on request

* *Partner and Registered Auditor*

B-BEE rating: Level 1 contribution 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 conducted its work in accordance with the written terms of reference approved by the board (details of which are provided in the corporate governance report) and is pleased to present its report in terms of the King Code, the Companies Act and the Listings Requirements of the JSE (the Listings Requirements) for the financial year ended 31 December 2019.

The committee is satisfied that it has performed both the statutory requirements for an audit committee as set out in the King Code, the Companies Act, the Listings Requirements, as well as the functions set out in the terms of reference, and that it has therefore complied with its legal, regulatory and other responsibilities.

Membership and meetings

The committee consists of three members, all of whom are independent non-executive directors and who have the necessary financial literacy skills and experience to effectively execute their duties. The Chairman of the board is not a member of this committee although attends by invitation.

The board recommends that the following directors, who are current members of the committee, who are eligible and have made themselves available for re-election be re-elected by shareholders at the annual general meeting (AGM) on 28 May 2020 to hold office until the following AGM:

Read more in the corporate governance report

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

The board will nominate an additional director to the audit committee prior to the AGM notice being circulated, and that member will stand for election by the shareholders at the next AGM.

BM Gourley was a member of this committee for the year under review and retired as a member of the board and this committee on 16 March 2020. The Chairman of the committee and the board wish to thank BM Gourley for her expertise and dedication to both the board and this 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 group chief executive officer (CEO) and group commercial director and chief financial officer (GCD), 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 and oversight duties to ensure 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.

Read more in the corporate governance report

External Audit

The committee performed the following functions in relation to the external audit of the group:

- nominated and recommended to shareholders that Deloitte & Touche be appointed as independent external auditors for the company and its subsidiaries and the appointment of H Loonat as the independent designated auditor for the company for the financial year ending 31 December 2019 in compliance with the Companies Act and the Listings Requirements. Following the 2019 audit, Deloitte and Touche has been the external auditor of the group for 18 years and H Loonat has been the designated auditor for the past four years;
- received confirmation from the external auditors that they are independent of the group and is satisfied that the external auditors are independent of the group;
- determined the processes and controls to determine fees to be paid to the auditors and the auditors' terms of engagement (including non-audit service fees);
- determined the nature and extent of any non-audit services that the auditors may provide to the group, or that the auditor must not provide to the group; and
- pre-approved any proposed agreement with the auditors for the provision of non-audit services to the group.

Internal control

The board and leadership committees 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 controls are implemented through the proper delegation of responsibility within a clearly defined approval framework, 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 was considered effective at the date of approval of the annual financial statements.

AUDIT COMMITTEE REPORT

(continued)

Integrated annual report 2019

The committee will evaluate the integrated annual report for the year ended 31 December 2019 and will ensure it 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 Listings Requirements.

Read more about the report

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 GCD with direct access to the group CEO.

The internal audit coverage plan, which is subject to approval by the audit committee and is 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. Nothing has come to the attention of the audit committee to indicate that any material breach of these controls has occurred during the year under review.

The committee has considered and is satisfied with the continued appropriateness of the expertise and experience of the internal audit manager and internal audit function.

Accounting and auditing

The directors are responsible for ensuring that the group maintains adequate records and reports 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 IFRS and the Companies Act.

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 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 the internal and external auditors. Time is also set aside at least once a year (but generally at the end of every meeting) for the committee to meet independently of executive management with representatives of the internal and external auditors.

Finance function

The committee has considered and is satisfied with the continued appropriateness of the expertise and experience of the GCD (which incorporates the role of CFO), 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;
- reviewed the recommendations arising from the JSE pro-active monitoring reports and are satisfied that these have been addressed in the financial statements;
- approved the internal audit terms of reference and audit plans;
- received and reviewed reports from internal 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 will recommend them for re-appointment as auditors for the 2020 financial year at the AGM, with H Loonat as the designated auditor;
- reviewed the external auditor's report and key audit matters and were satisfied with how these were addressed;
- determined the terms of engagement of the external auditors and the fees to be paid;
- concluded that, with mandated partner rotation and policies and procedures in force, the risk of familiarity between the external auditor and management is mitigated;
- 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 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

18 March 2020

DIRECTORS' REPORT

for the year ended 31 December 2019

Your directors have pleasure in presenting their report on the activities of the group and company for the year ended 31 December 2019.

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 Consumer Services sector subsector Education Services 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 and 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 the placement industry, especially in the niche areas of IT, finance and engineering.

Financial results

The results for the year ended 31 December 2019 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 2018	546 612 919
Number of shares in issue at 31 December 2019	548 766 976

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.

Dividend and share buy-back considerations

In view of the heightened uncertainty as a result of the rapidly evolving nature of COVID-19, the board has decided to defer the decision regarding a dividend declaration.

While management has contingency plans in place and remains confident of navigating the business through the unpredictability, the board felt that it would be prudent to delay the decision and continue to assess the environment and potential impact of the pandemic. The board will consider a dividend payment at the next board meeting to be held in May 2020, when the impact of the pandemic on the group may have become clearer. In light of the low share price, the board will also consider the option of a share buy-back in lieu of a dividend at that meeting.

Events after the reporting period

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 company and the group for the year ended 31 December 2019 or the financial position at that date.

Response to COVID-19

The safety and wellbeing of all our staff and pupils, and the continuation of quality teaching and learning is paramount and will remain our first priority. We have established an incident support team and have closed our schools and tertiary institutions until 14 April 2020 which is consistent with guidance from government. We are leveraging and making full use of online learning tools and systems previously implemented in both the schools and tertiary divisions such as IIELearn, our Learning Management System, which supports our teaching and learning strategies. We continue to explore internet access solutions for learners in the mid-fee and tertiary divisions who do not have at-home solutions.

Compliance with the King code

ADvTECH Limited is listed on the Johannesburg Stock Exchange ('JSE'). The King IV Report on Corporate Governance™ for South Africa, 2016 ("the King code") is the primary corporate governance code in South Africa and is applicable to all types of entities.

The King Code consists of a set of voluntary principles and leading practices with an 'apply and explain' disclosure regime. The Listings Requirements of the JSE requires listed companies to apply King IV paragraph 8.63(a)(i) which stipulates that issuers are required to disclose the implementation of the King code through the application of the King code disclosure and application regime.

The document that outlines how we have applied the principles and recommendations of the King code in this report, 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 30 May 2019:

- non-executive directors' fees for the period 1 July 2019 to 30 June 2020;
- authority to make loans or give financial assistance to subsidiaries and related or inter-related companies; and
- general authority to acquire the company's own shares.

Special resolutions adopted by subsidiary companies

Special resolutions in terms of section 45 of the Companies Act, 71 of 2008, 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

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. CH Boulle, BM Gourley and JD Jansen have been selected for these purposes of which CH Boulle being eligible, has offered himself for re-election. BM Gourley has retired as a board member with effect from 16 March 2020 and JD Jansen will not seek re-election as a director. Owing to the policy adopted by the board, stating that board members over the age of 70 need to retire by rotation on an annual basis, JM Hofmeyr will also retire by rotation and has offered herself for re-election.

DIRECTORS' REPORT

for the year ended 31 December 2018 *(continued)*

Interests of directors and prescribed officers

As at 31 December 2019, the directors' and prescribed officers' beneficial and non-beneficial, direct and indirect interests in the issued share capital of the company were 2% (2018: 2%) in aggregate.

The interests of directors and prescribed officers are as follows:

	Beneficial				Non-beneficial			
	Direct		Indirect		Direct		Indirect	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
Directors								
CH Boulle	**3 549**	3 549	**–**	–	**–**	–	**–**	–
JS Chimhanzi	**–**	–	**–**	–	**–**	–	**–**	–
RJ Douglas	**445 278**	445 278	**–**	–	**–**	–	**–**	–
BM Gourley	**–**	–	**–**	–	**–**	–	**–**	–
J Hofmeyr	**–**	–	**–**	–	**–**	–	**–**	–
JD Jansen	**–**	–	**–**	–	**–**	–	**–**	–
SC Masie	**–**	–	**–**	–	**–**	–	**–**	–
JDR Oesch	**2 010 562**	2 010 562	**–**	–	**–**	–	**37 312**	37 312
KDM Warburton	**–**	–	**–**	–	**–**	–	**–**	–
J Zimmermann	**–**	–	**–**	–	**–**	–	**–**	–
SA Zinn	**–**	–	**–**	–	**–**	–	**–**	–
Prescribed officers								
MD Aitken	**10 900**	10 900	**–**	–	**–**	–	**–**	–
FJ Coughlan	**139 595**	139 595	**–**	–	**–**	–	**4 000**	4 000
DL Honey	**7 652 444**	8 264 292	**–**	–	**–**	–	**441 159**	128 388
Totals	**10 262 328**	10 874 176	**–**	–	**–**	–	**482 471**	169 700

At the date of this financial report, none of the current directors or prescribed officers have acquired or disposed of any of the shares held by them as at 31 December 2019.

Acquisitions

The group acquired IIE MSA, previously known as Monash South Africa during the year under review. This acquisition is in line with the published expansion programme. Further details on this acquisition is detailed in note 38 of the annual financial statements.

Read more in the CEO report and tertiary division review

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 2019 audit is the fourth 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.

Read more in the corporate governance report

Company secretary

The company secretary resigned with effect from 31 March 2019. From 1 April 2019, JDR Oesch has acted as company secretary. KN Piki has been appointed as the company secretary with effect from 24 March 2020. 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 STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2019

	Notes	Audited 2019 R'm	Restated* Audited 2018 R'm
Revenue	5	**5 108.0**	4 389.0
Placement cost of sales		**(470.4)**	(376.1)
Staff costs	6	**(2 240.0)**	(1 970.1)
Rent and occupancy costs		**(241.4)**	(208.3)
Other operating expenses		**(982.6)**	(750.7)
Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA)		**1 173.6**	1 083.8
Depreciation and amortisation	6	**(304.5)**	(275.6)
Operating profit before interest and non-trading items		**869.1**	808.2
Non-trading items		**13.5**	(39.5)
Corporate action costs		**(3.9)**	(2.0)
Foreign currency gain arising on corporate action		**6.2**	–
Gain on bargain purchase of acquisition	38	**6.1**	4.2
Insurance proceeds (net of costs) on previously reported fraud event		**5.1**	–
Impairment of intangible assets	17	**–**	(3.2)
Settlement of contingent consideration	41	**–**	(34.3)
Net loss on financial asset at fair value through profit and loss		**–**	(4.2)
Operating profit before interest	6	**882.6**	768.7
Net finance costs		**(221.8)**	(192.0)
Interest earned	7,1	**5.2**	3.7
Finance costs incurred	7,2	**(167.4)**	(136.4)
Finance costs on lease liabilities	7,3	**(59.6)**	(59.3)
Profit before taxation		**660.8**	576.7
Taxation	8	**(192.5)**	(180.6)
Profit for the year		**468.3**	396.1
Profit for the year attributable to:			
Owners of the parent		**469.4**	386.0
Non-controlling interests		**(1.1)**	10.1
		468.3	396.1
Earnings per share			
Basic (cents)	9	**87.1**	72.0
Diluted (cents)	9	**87.1**	72.0

* *The restatement relates to the adoption of IFRS 16. Refer to note 4.*

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2019

	Audited 2019 R'm	Restated* Audited 2018 R'm
Profit for the year	**468.3**	396.1
Other comprehensive income, net of income taxation		
Items that may be reclassified subsequently to profit or loss		
Exchange (loss)/gain on translating foreign operations	**(18.5)**	52.6
Total comprehensive income for the year	**449.8**	448.7
Total comprehensive income for the year attributable to:		
Owners of the parent	**451.1**	432.1
Non-controlling interests	**(1.3)**	16.6
	449.8	448.7

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2019

	Notes	**Audited 2019 R'm**	Restated* Audited 2018 R'm	Restated* Audited 2017 R'm
ASSETS				
Non-current assets				
Property, plant and equipment	13	**4 803.1**	3 943.1	3 512.6
Proprietary technology systems	14	**80.9**	73.3	63.3
Right-of-use assets	15	**384.2**	442.6	428.9
Goodwill	16	**1 459.9**	1 465.6	1 305.3
Intangible assets	17	**197.1**	211.0	208.3
Deferred taxation assets	18	**40.5**	12.6	13.5
Investment in joint arrangement	19	**7.6**	6.2	–
Investment	19	**–**	–	12.0
		6 973.3	6 154.4	5 543.9
Current assets				
Inventories	20	**22.5**	19.8	8.0
Trade and other receivables	21	**326.2**	261.8	288.4
Taxation		**39.0**	16.6	–
Prepayments		**44.7**	44.3	32.3
Bank balances and cash	22	**170.5**	228.9	109.9
		602.9	571.4	438.6
Non-current assets held for sale	23	**67.8**	–	–
Total assets		**7 644.0**	6 725.8	5 982.5
EQUITY AND LIABILITIES				
Capital and reserves				
Stated capital	24	**1 539.0**	1 514.0	1 481.9
Shares held by the Share Incentive Trust	25	**(15.3)**	(21.4)	(39.3)
Net stated capital		**1 523.7**	1 492.6	1 442.6
Share incentive reserve		**3.4**	16.8	23.6
Foreign currency translation reserve		**33.3**	51.8	(0.8)
Retained earnings		**1 840.0**	1 535.3	1 332.5
Equity attributable to owners of the parent		**3 400.4**	3 096.5	2 797.9
Non-controlling interests		**19.9**	27.2	31.4
Total equity		**3 420.3**	3 123.7	2 829.3
Non-current liabilities				
Long-term bank loans	27	**1 800.0**	1 500.0	751.5
Deferred taxation liabilities	18	**170.9**	114.2	101.4
Lease liabilities	32	**369.2**	381.1	368.5
Acquisition liabilities	30	**74.4**	72.9	49.0
		2 414.5	2 068.2	1 270.4
Current liabilities				
Current portion of long-term bank loans	27	**–**	5.7	12.2
Short-term bank loans	28	**880.1**	590.0	750.0
Current portion of lease liabilities	32	**116.3**	156.7	137.3
Trade and other payables	29	**436.5**	368.5	330.0
Taxation		**–**	–	6.3
Fees received in advance and deposits	31	**328.8**	362.5	431.3
Shareholders for capital distribution		**0.8**	0.8	0.8
Shareholders for dividend		**1.5**	1.3	1.6
Bank overdraft	22	**45.2**	48.4	213.3
		1 809.2	1 533.9	1 882.8
Total equity and liabilities		**7 644.0**	6 725.8	5 982.5

* *The restatement relates to the adoption of IFRS 16. Refer to note 4.*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2019

	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
Restated balance at 1 January 2018		1 481.9	23.6	(0.8)	(39.3)	1 332.5	31.4	2 829.3
Balance at 1 January 2018		1 481.9	23.6	(0.8)	(39.3)	1 383.3	31.4	2 880.1
Adjustment to opening balance (IFRS 16)*						(36.8)		(36.8)
Adjustment to opening balance (IFRS 15)#						(14.0)		(14.0)
Total comprehensive income for the year				52.6		386.0	10.1	448.7
Profit for the year*						386.0	10.1	396.1
Other comprehensive income for the year				52.6				52.6
Dividends declared to shareholders	12					(183.2)	(7.3)	(190.5)
Share-based payment expense	6,25		4.4					4.4
Share award expense under the management share incentive scheme (MSI)	6,26		2.8					2.8
Shares awarded under the management share incentive scheme (MSI)			(11.9)		11.9			–
Taxation effect of shares awarded under the management share incentive scheme (MSI)			(4.4)					(4.4)
Shares issued to settle contingent consideration	24	32.1						32.1
Share options exercised			2.3		6.0			8.3
Non-controlling interest on disposal of subsidiary							(1.0)	(1.0)
Non-controlling interests arising on acquisitions							(6.0)	(6.0)
Restated balance at 31 December 2018		**1 514.0**	**16.8**	**51.8**	**(21.4)**	**1 535.3**	**27.2**	**3 123.7**
Balance at 31 December 2018		1 514.0	16.8	51.8	(21.4)	1 583.5	27.2	3 171.9
Adjustment to opening balance*	4					(48.2)		(48.2)
Total comprehensive income for the year				(18.5)		469.4	(1.1)	449.8
Profit for the year						469.4	(1.1)	468.3
Other comprehensive income for the year				(18.5)				(18.5)
Dividends declared to shareholders	12					(163.1)	(7.8)	(170.9)
Share-based payment expense	6,25		2.7					2.7
Share award expense under the management share incentive scheme (MSI)	6,26		13.6					13.6
Shares awarded under the management share incentive scheme (MSI)			(4.1)		4.1			–
Taxation effect of shares awarded under the management share incentive scheme (MSI)			(1.0)					(1.0)
Shares issued for the management share incentive scheme (MSI)	24	25.1	(25.1)					–
Share issue costs	24	(0.1)						(0.1)
Share options exercised			0.5		2.0			2.5
Non-controlling interests arising on acquisition of additional shares in subsidiary						(1.6)	1.6	–
Balance at 31 December 2019		**1 539.0**	**3.4**	**33.3**	**(15.3)**	**1 840.0**	**19.9**	**3 420.3**

* *This restatement relates to the adoption of IFRS 16 as per note 4.*

\# *This restatement relates to the prior year adoption of IFRS 15.*

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2019

	Notes	**Audited 2019 R'm**	Restated* Audited 2018 R'm
Cash flows from operating activities			
Cash generated from operations	35.1	**1 192.1**	1 083.1
Movement in working capital	35.2	**(108.5)**	(66.8)
Cash generated by operating activities		**1 083.6**	1 016.3
Net finance costs		**(234.3)**	(197.8)
– interest received		**5.2**	3.7
– finance costs paid		**(157.9)**	(128.8)
– finance costs on lease liabilities		**(59.6)**	(59.3)
– borrowing costs capitalised	13, 14	**(22.0)**	(13.4)
Taxation paid	35.3	**(223.8)**	(202.1)
Dividends paid	35.4	**(170.7)**	(190.8)
Net cash inflow from operating activities		**454.8**	425.6
Cash flows from investing activities			
Additions to property, plant and equipment			
– to maintain operations	35.5	**(142.2)**	(144.0)
– to expand operations	35.6	**(518.0)**	(389.2)
Additions to proprietary technology systems		**(20.5)**	(22.3)
Business combinations cash flows	35.7	**(320.0)**	(114.9)
Proceeds on disposal of property, plant and equipment		**2.1**	2.9
Disposal of subsidiary		**–**	4.0
Change in ownership of joint arrangement		**–**	6.0
Net cash outflow from investing activities		**(998.6)**	(657.5)
Cash flows from financing activities			
Increase in non-current bank loans		**300.0**	748.5
Settlement of current bank loans		**(595.7)**	(756.5)
Drawdowns of current bank loans		**880.1**	590.0
Repayment of lease liabilities		**(96.9)**	(78.0)
Cash received on exercise of share options		**2.4**	8.4
Net cash inflow from financing activities		**489.9**	512.4
Net (decrease)/increase in cash and cash equivalents		**(53.9)**	280.5
Cash and cash equivalents (net of bank overdraft) at beginning of the year		**180.5**	(103.4)
Net foreign exchange difference on cash and cash equivalents		**(1.3)**	3.4
Cash and cash equivalents (net of bank overdraft) at end of the year	22	**125.3**	180.5

* *The restatement of the comparative information is a result of the restatement of profits resulting from the adoption of IFRS 16.*

CONSOLIDATED SEGMENTAL REPORT

for the year ended 31 December 2019

	Percentage increase/ (decrease)	**Audited 2019 R'm**	Restated* Audited 2018 R'm
Revenue	16%	**5 108.0**	4 389.0
Schools	11%	**2 226.4**	2 008.8
– South Africa	8%	**2 022.2**	1 877.4
– Rest of Africa	55%	**204.2**	131.4
Tertiary	25%	**2 145.3**	1 718.5
Resourcing	11%	**740.7**	669.5
Intra group revenue		**(4.4)**	(7.8)
Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA)	8%	**1 173.6**	1 083.8
Schools	7%	**511.6**	478.9
– South Africa	9%	**508.8**	466.6
– Rest of Africa	(77%)	**2.8**	12.3
Tertiary	12%	**613.4**	546.0
Resourcing	(17%)	**48.6**	58.9
Depreciation and amortisation	10%	**304.5**	275.6
Schools	32%	**167.3**	126.6
– South Africa	28%	**151.3**	117.9
– Rest of Africa	84%	**16.0**	8.7
Tertiary	(10%)	**117.9**	131.5
Resourcing	10%	**19.3**	17.5
Operating profit before interest and non-trading items	8%	**869.1**	808.2
Schools	(2%)	**344.3**	352.3
– South Africa	3%	**357.5**	348.7
– Rest of Africa		**(13.2)**	3.6
Tertiary	20%	**495.5**	414.5
Resourcing	(29%)	**29.3**	41.4
Property, plant and equipment, proprietary technology systems, right-of-use assets and non-current assets held for sale	20%	**5 336.0**	4 459.0
Schools	10%	**3 771.6**	3 419.8
– South Africa	11%	**3 345.4**	3 016.4
– Rest of Africa	6%	**426.2**	403.4
Tertiary	53%	**1 545.9**	1 009.2
Resourcing	(38%)	**18.5**	30.0
Current assets	6%	**602.9**	571.4
Schools	(3%)	**376.8**	389.9
– South Africa	(20%)	**254.0**	316.9
– Rest of Africa	68%	**122.8**	73.0
Tertiary	13%	**145.5**	128.6
Resourcing	52%	**80.6**	52.9
Total liabilities	17%	**4 223.7**	3 602.1
Schools	10%	**3 096.2**	2 819.6
– South Africa	9%	**2 723.0**	2 489.7
– Rest of Africa	13%	**373.2**	329.9
Tertiary	52%	**1 055.6**	693.2
Resourcing	(19%)	**71.9**	89.3
Capital expenditure	24%	**704.6**	568.9
Schools	9%	**473.2**	434.4
– South Africa	58%	**430.6**	271.8
– Rest of Africa	(74%)	**42.6**	162.6
Tertiary	73%	**226.8**	130.9
Resourcing	28%	**4.6**	3.6

** The restatements as described in the statement of profit or loss and the statement of financial position have been adjusted for in the segmental report.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019

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 and interpretation

During the current year, the group adopted the following standards and interpretation which are effective for annual reporting periods beginning on or after 1 January 2019:

- 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 previously held interests in that business);
- 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);
- 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);
- IFRS 16: *Leases (*New standard);
- 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);
- 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);
- IAS 28: *Investments in Associates and Joint Ventures* (Long-term interest 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); and
- IFRIC 23: *Uncertainty over Income Tax Treatments* (This interpretation specifies how an entity should reflect the effects of uncertainties in accounting for income taxes).

In the current year, the material adoption of new standards was IFRS 16. Refer to note 4 for further detail of the impact of the adoption.

The remaining standards, amendments and interpretation, which became effective in the period ended 31 December 2019 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 material impact.

3. Significant accounting policies

The accounting policies below apply to the consolidated and separate financial statements (hereafter referred to as the 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) including interpretations of such standards issued by the IFRS Interpretations Committee, 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. Except as noted in notes 2 and 4, 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. Revenue earned outside South Africa relating to the schools has been attributed to the Rest of Africa segment.

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.

Intra-group transactions are conducted at an arms-length basis.

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 the current year acquisition related to revenue in order to recognise revenue over time as the performance obligations are being satisfied.

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 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 for deferred tax assets or liabilities that 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.

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.

3.6 Goodwill

Goodwill arising on the acquisition of a subsidiary or a joint venture 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 joint venture recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost as part of the investments 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019 *(continued)*

3.6 Goodwill *(continued)*

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.

3.7 Joint arrangement

A joint arrangement is a company over which the group exercises joint control. Joint control involves the contractually agreed sharing of control. Joint arrangements are classified as joint ventures when the parties that have joint control and have rights to the net assets of the arrangements.

The equity method of accounting is applied in the consolidated financial statements, in relation to joint ventures. In applying the equity method, account is taken of the group's share of accumulated retained earnings and movements in reserves from the effective dates on which the companies became jointly controlling parties and up to the effective dates of disposal. In the event of a joint venture making a loss, the group recognises the losses to the extent of the group's exposure.

3.8 Revenue recognition

The group recognises revenue from the following major sources:

- Revenue from tuition fees;
- Revenue from placement fees;
- Interest income; and
- Dividend income (as recognised in the company financial statements).

Revenue is measured based on the consideration specified in a contract with a customer. The group recognises revenue when it transfers control of a product or service to a customer.

3.8.1 Revenue from tuition fees

The group provides education services to students at schools as well as tertiary institutions. Such services include tuition, aftercare and boarding and are recognised on a straight-line basis over the period that the service is to be rendered. Payment for these services are received either upfront, quarterly or monthly. The upfront payments give rise to fees received in advance (contract liability) which is realised over the period in which the services are delivered.

The non-refundable enrolment fees are received to perform an administrative task. The promised service is the delivery of education. Therefore, the enrolment fees have been deferred to the period over which the education services are performed and included with fees received in advance.

The awarded bursaries and discounts are set off against the related revenue recognised. The recognised amounts of these bursaries and discounts are calculated based on the actual amounts approved and recognised on a straight-line basis over the period that the services are rendered.

For the sale of books and educational material, revenue is recognised when control of the goods has transferred. Payment of the transaction price is due immediately when the student purchases the goods.

3.8.2 Revenue from placement fees

The group provides recruitment services to a range of businesses. Revenue from placement fees is recognised as and when the services are rendered and candidates are successfully placed.

In certain transactions, where the group acts as an agent, revenue is recorded net of related costs.

3.8.3 Interest income and dividend income

Interest income is accrued on a time basis, by reference to the principal amount outstanding 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 are recognised when the shareholders' rights to receive payment have been established.

3.9 Leases

The group assesses whether a contract is or contains a lease, at inception of the contract. The group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

3.9 Leases *(continued)*

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments; and
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed;
- The lease payments change due to changes in an index or rate, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Depreciation is recorded from the commencement date of the lease.

Right-of-use assets are presented as a separate line in the consolidated statement of financial position.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs.

3.10 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.

3.11 Borrowing costs

Borrowing costs that are not capitalised to property, plant and equipment or proprietary technology systems are recognised in profit or loss in the period in which they are incurred.

3.12 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019 *(continued)*

3.13 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 does not include market related vesting conditions.

3.14 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.

3.15 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.

3.15 Earnings per share *(continued)*

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 1/2019 – 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 (such as corporate action costs, gain on bargain purchase, litigation and litigation settlements) from reported headline earnings. It is included to provide an additional basis on which to measure the group's normalised earnings performance.

Non-trading items is a combination of the adjustments made for headline and normalised earnings.

3.16 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment. Additions to land and buildings are recognised based on the stage of completion of the construction project. Land and work in progress assets are 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, residual value and depreciation methods of property, plant and equipment are reviewed on an annual basis and no adjustments were required to be made to these estimates.

Items of property, plant and equipment are derecognised on disposal when they have reached the end of their useful lives and no further economic benefits are expected to be obtained from them.

Borrowing costs incurred relating to the development of properties and proprietary technology systems are capitalised and included in the cost of these assets until completion, less any identified impairment losses. 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.

3.17 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 and there were no adjustments required to be made in the current year.

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. The key factor in the assessing the useful life as indefinite is the reputation of a school which increases over time as it becomes entrenched in its community.

3.18 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.

3.19 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.

3.20 Share purchases

The ADvTECH Limited Share Incentive Trust, The Independent Institute of Education Proprietary Limited and ADvTECH Resourcing Proprietary Limited hold shares in the company to be used for the settlement of their obligations under their share incentive schemes. Shares held are offset against share capital.

3.21 Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss (FVTPL)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019 *(continued)*

3.21 Financial instruments *(continued)*

3.21.1 Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value depending on the classification of the financial assets.

3.21.1.1 Classification of financial assets

Financial assets are classified as subsequently measured at amortised cost as:

- the financial asset is held by the group whose objective is to hold financial assets in order to collect contractual cash flows, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at fair value through profit or loss (FVTPL).

3.21.1.2 Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see 3.21.1.8). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss and is included in the "interest earned" line item.

3.21.1.3 Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. For financial assets measured at amortised cost, exchange differences are recognised in profit or loss and disclosed in note 6 in the line item "foreign exchange losses".

3.21.1.4 Impairment of financial assets

The amount of expected credit losses (ECL) is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The group recognises lifetime ECL for trade receivables using the simplified approach. The ECL on these financial assets is estimated using a provision calculation based on the group's historical credit loss experience. This is adjusted for factors such as general economic conditions, specific conditions related to the debtors eg. financial difficulty and whether the student is still in attendance, as well as an assessment of both the forecast direction of economic conditions at the reporting date to determine whether economic conditions are expected to improve, resulting in improved recoverability.

For all other financial instruments, the group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the group measures the loss allowance for that financial instrument at an amount equal to 12 months ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

3.21 Financial instruments *(continued)*

3.21.1.4 Impairment of financial assets (continued)

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Based on the above, the group has a credit risk grading framework against which financial assets are assessed for ECL. The current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising expected credit losses
Trade receivables: Education institutions		
Performing	The counterparty has a low risk of default as the student is still in attendance and regular payments are received.	Lifetime ECL – not credit impaired
In default	Amount is greater than 30 days past due and the student is no longer in attendance but payments are still being received as well as the student is still in attendance but regular payments are not received.	Lifetime ECL – credit impaired
Write-off	The student is no longer in attendance and no payments are being received.	Amount is written off
Trade receivables: Resourcing		
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	Lifetime ECL – not credit impaired
Overdue	Amount is greater than 30 days past due and/or there has not been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit impaired
In default	Legal credit collection steps have been instituted and there is evidence indicating the asset is credit-impaired.	Lifetime ECL – credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the group has no realistic prospect of recovery.	Amount is written off
Other financial assets and company trade and other receivables		
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	12 months ECL
Overdue	Amount is greater than 30 days past due and/or there has not been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit impaired
In default	Amount is greater than 90 days past due or there is evidence indicating the asset is credit impaired.	Lifetime ECL – credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the group has no realistic prospect of recovery.	Amount is written off

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019 *(continued)*

3.21 Financial instruments *(continued)*

3.21.1.5 Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward looking information considered includes the future prospects of the industries in which the group's debtors operate as well as consideration of various external sources of actual and forecast economic information that relate to the group's core operations, namely the education and recruitment industries.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations; and
- an actual or expected significant deterioration in the operating results of the debtor.

Irrespective of the outcome of the above assessment, the group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) positive changes in economic and business conditions in the longer term may, but will not necessarily, improve the ability of the borrower to fulfil its contractual cash flow obligations.

The group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3.21.1.6 Definition of default

The group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet the following criteria are generally not recoverable:

- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the group, in full.

Irrespective of the above analysis, the group considers that default has occurred when the credit risk grading framework "In default" category is satisfied, unless the group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3.21.1.7 Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

a) significant financial difficulty of the issuer or the borrower;

b) a breach of contract, such as a default or past due event;

c) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

d) the disappearance of an active market for that financial asset because of financial difficulties.

3.21.1.8 Write-off policy

The group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. For educational trade receivables factors that indicate that there is no realistic prospect of recovering the debt include payment patterns, eg. irregular payments, as well as whether the student is still attending classes. For resourcing trade receivables factors that indicate that there is no realistic prospect of recovery include, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Another indicator is when the credit risk grading framework "write off" category is satisfied. Financial assets written off may still be subject to enforcement activities under the group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

3.21 Financial instruments *(continued)*

3.21.1 Financial assets (continued)

3.21.1.9 Measurement and recognition of expected credit losses

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the group in accordance with the contract and all the cash flows that the group expects to receive, discounted at the original effective interest rate.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- nature of financial instruments (i.e. the group's trade and other receivables and amounts due from customers are each assessed as a separate group. Loans to related parties are assessed for ECL on an individual basis);
- past-due status;
- nature, size and industry of debtors; and
- external credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

If the group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the group measures the loss allowance at an amount equal to 12 month ECL at the current reporting date.

The group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

3.21.1.10 Derecognition of financial assets

The group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the group retains substantially all the risks and rewards of ownership of a transferred financial asset, the group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

3.21.2 Financial liabilities and equity instruments

3.21.2.1 Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

3.21.2.2 Equity instruments

An equity instrument in the group consists of share capital and share based payment instruments. Equity instruments issued by the group are recognised at the proceeds received, net of direct issue costs.

Repurchases of the company's own equity instruments are recognised and deducted directly from stated capital. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the company's own equity instruments.

3.21.2.3 Financial liabilities

All financial liabilities currently held in the group and company are subsequently measured at amortised cost using the effective interest method.

3.21.2.3a Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not contingent consideration of an acquirer in a business combination, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019 *(continued)*

3.21 Financial instruments (continued)

3.21.2 Financial liabilities and equity instruments (continued)

3.21.2.3b Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in profit or loss in note 6 in the line item "foreign exchange losses".

3.21.2.3c Derecognition of financial liabilities

The group derecognises financial liabilities when, and only when, the group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3.22 Critical accounting judgements and key sources of estimation uncertainty

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.

The critical estimates used in individual impairment assessments of assets are the factors relating to the technical, economic and business circumstances which affect the inputs applied in determining the recoverable amount of the respective assets. Refer to notes 16, 17 and 21.

Expected credit loss allowance

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, probability of default, expected loss rates and other pertinent information. Management judgement is required on estimating such information.

Purchase price allocation relating to business combinations

The group exercises judgement in determining the purchase price allocation which is a combination of determining the fair value of the tangible and intangible assets and resulting goodwill relating to the business combinations. For tangible assets, an independent valuation is obtained from a certified valuer. The free cash flow method is used to value intangible assets 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.

3.23 Free operating cash flow before capex per share

Free operating cash flow before capex

Free operating cash flow before capex is calculated by subtracting non-cash items, repayment of lease liabilities net of tax, and movement in working capital from profit for the year. This is a non-IFRS measure.

Free operating cash flow before per share

Free operating cash flow before capex per share is calculated by dividing free operating cash flow before capex 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.

3.24 Standards not yet effective

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

IFRS 3	*Business Combinations* (Definition of business)	Annual period beginning on or after 1 January 2020
IFRS 7 **IFRS 9** **IAS 39**	Interest rate benchmark reform: The amendments to IFRS 9, IAS 39 and IFRS 7 amend requirements for hedge accounting to support the provision of useful financial information during the period of uncertainty caused by the phasing out of interest-rate benchmarks such as interbank offered rates (IBORs) on hedge accounting.	Annual period beginning on or after 1 January 2020
IAS 1	*Presentation of Financial Statements: Definition of material:* The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.	Annual period beginning on or after 1 January 2020
IAS 8	*Accounting Policies, Changes in Accounting Estimates and Errors: Definition of material:* The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.	Annual period beginning on or after 1 January 2020

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

None of the standards 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 2019 *(continued)*

4. Application of new International Financial Reporting Standards (IFRS)

Impact of IFRS 16 adoption

IFRS 16: Leases (IFRS 16) was adopted in the current year. The standard sets out requirements for identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. This standard replaces IAS 17: Leases and its associated interpretative guidance.

In applying IFRS 16, the group assesses whether its existing contracts contain a lease; recognises right-of-use assets and lease liabilities in the statement of financial position, initially at the present value of the future lease payments; recognises depreciation of right-of-use assets based on the lease contract term; recognises interest on the lease liabilities based on the implied interest rate; and splits cash paid in respect of lease contracts into principal and interest portions, presented in the consolidated statement of cash flows as financing and operating activities respectively.

The group has elected to apply the retrospective approach which required the prior year comparatives to be restated. The impact of this restatement is disclosed below. The group has elected to apply the following transitional relief available under the standard:

- the application of a single discount rate for portfolios of leases with reasonably similar characteristics;
- the use of hindsight for determination of the lease term as of the date of initial applications;
- the use of onerous provision assessment under IAS 37: Provisions, contingent liabilities and contingent assets immediately prior to the date of initial application rather than impairment assessment of right-of-use assets under IAS 36: Impairment of assets; and
- the exclusion of initial direct costs of obtaining a lease from the measurement of right-of-use assets at the date of initial application.

	Restated Audited 2018 R'm
Impact on profit or loss	
Rental expense	139.7
Depreciation	(96.2)
Finance costs on lease liabilities	(59.3)
Taxation	4.4
Decrease in profit for the year	(11.4)
Decrease in earnings per share	
Basic (cents)	(2.2)
Diluted (cents)	(2.1)

	As previously reported	IFRS 16 adjustments	As restated
Impact on assets, liabilities and equity as at 1 January 2018			
Right-of-use assets	–	428.9	428.9
Lease liabilities – current and non-current	–	505.8	505.8
Trade and other payables	363.4	(33.4)	330.0
Deferred taxation liabilities	108.1	(6.7)	101.4
Equity	2 866.1	(36.8)	2 829.3
Impact on assets, liabilities and equity as at 31 December 2018			
Right-of-use assets	–	442.6	442.6
Lease liabilities – current and non-current	–	537.8	537.8
Trade and other payables	404.4	(35.9)	368.5
Deferred taxation liabilities	125.3	(11.1)	114.2
Equity	3 171.9	(48.2)	3 123.7

The impact on the prior year statement of cash flows was a reclassification of a cash outflow of R78.0 million from operating activities to financing activities.

The right-of-use assets and lease liabilities differ when compared to the amounts disclosed in the prior year financial statements and interim results due to the refinement of the incremental borrowing rate used on some longer term leases and the expected application of IFRS 16 in the initial assessment to some leases which subsequently did not fall within the scope of the standard.

	Audited 2019 R'm	Restated Audited 2018 R'm
5. Revenue		
The group derives its revenue from the transfer of services over time in the following major income streams. This is consistent with the revenue information that is disclosed for each reportable segment under IFRS 8 (see consolidated segmental report):		
Education services	**4 371.7**	3 727.3
Tuition – Schools	**2 266.2**	2 060.4
Tuition – Tertiary	**2 148.5**	1 718.5
Bursaries and discounts	**(197.6)**	(179.5)
Net tuition fees	**4 217.1**	3 599.4
Boarding fees	**33.3**	26.3
Enrolment and application fees	**57.1**	65.2
Extramural activities and aftercare	**57.8**	32.4
Education material and uniforms	**6.4**	4.0
Placement fees	**740.7**	669.5
Intra group revenue	**(4.4)**	(7.8)
	5 108.0	4 389.0
Timing of revenue recognition		
Over time		
Net tuition fees, boarding fees, enrolment and application fees and extra-mural activities and aftercare	**4 365.3**	3 723.3
At a point in time		
Educational material and uniforms, placement fees and intra group revenue	**742.7**	665.7
Total	**5 108.0**	4 389.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019 *(continued)*

	Notes	**Audited 2019 R'm**	Restated Audited 2018 R'm
6. Operating profit before interest			
Operating profit before interest is stated after taking the following into account:			
Auditors' remuneration		**14.1**	10.7
– Current year audit fee		**13.2**	10.4
– Prior year under provision		**0.2**	0.1
– Other services		**0.7**	0.2
Amortisation		**26.7**	27.2
– Proprietary technology systems	14	**14.0**	13.1
– Intangible assets	17	**12.7**	14.1
Depreciation – property, plant and equipment	13	**174.3**	152.2
– Land and buildings		**14.8**	17.9
– Computer equipment		**69.8**	55.9
– Computer software		**4.1**	3.2
– Furniture, fittings and equipment		**42.4**	36.6
– Motor vehicles		**7.6**	7.4
– Video equipment		**1.8**	1.3
– Leasehold improvements		**33.8**	29.9
Depreciation – right-of-use assets	15	**103.5**	96.2
Total depreciation and amortisation		**304.5**	275.6
Foreign exchange gains		**(6.4)**	–
Foreign exchange losses		**3.9**	0.5
Lease charges		**65.9**	41.1
– Expense related to short term leases		**41.0**	13.1
– Expense relating to variable lease payments not included in the measurement of lease liabilities		**20.8**	19.8
– Expense related to low value assets		**4.1**	8.2
Professional fees		**43.3**	21.0
Loss/(profit) on sale of property, plant and equipment		**0.5**	(0.7)
Profit on disposal of subsidiary		**–**	(0.9)
Directors' emoluments		**15.2**	14.0
– For services as directors	36	**4.8**	5.2
– VAT on non-executive director fees	36	**0.3**	0.2
– For managerial and other services	36	**10.1**	8.6
Pension and provident fund contributions		**134.4**	129.9
Share-based payment expense	25	**2.7**	4.4
Management share incentive scheme expense (MSI)	26	**13.6**	2.8
Staff costs		**2 074.1**	1 819.0
Total staff costs		**2 240.0**	1 970.1
Number of staff (at year-end)		**7 876**	7 549
Number of staff covered by retirement plans (at year-end)		**4 960**	4 429

		Notes	Audited 2019 R'm	Restated Audited 2018 R'm
7.	**Net finance costs**			
7.1	**Interest earned**			
	Call accounts		**2.7**	1.6
	Current accounts		**2.5**	0.5
	South African Revenue Service and other revenue authorities		**–**	0.2
	Other		**–**	1.4
			5.2	3.7
7.2	**Finance costs incurred**			
	Bank loans		**(158.0)**	(123.0)
	Bank loans facility fees		**(2.5)**	(1.6)
	Current accounts – overdrafts		**(1.9)**	(6.2)
	South African Revenue Service and other revenue authorities		**(0.4)**	(1.3)
	Other		**(4.6)**	(4.3)
			(167.4)	(136.4)
7.3	**Finance costs on lease liabilities**			
	Finance costs on lease liabilities	32	**(59.6)**	(59.3)
	Net finance costs		**(221.8)**	(192.0)
8.	**Taxation**			
8.1	**Taxation expense comprises**			
	Current taxation – current year		**210.1**	177.8
	– prior year over provision		**(9.5)**	(6.5)
	Deferred taxation – current year	18	**(23.2)**	5.0
	– prior year under provision	18	**15.1**	4.3
	Total taxation expense		**192.5**	180.6
	Estimated taxation losses for the group carried forward at year-end were R274.0 million (2018: R24.4 million). A rand equivalent amount of R232.0 million relates to Crawford International School in Kenya which has accelerated allowances relating to the construction of buildings allowing a tax write-off over 2 years.			
	Deferred taxation assets relating to taxation losses to the value of R4.1 million (2018: R3.2 million) have not been raised in the group.			
8.2	**Reconciliation of taxation**			
	Profit before taxation		**660.8**	576.7
	Taxation at 28%		**185.0**	161.5
	Foreign taxation effect		**(9.3)**	(2.2)
	Taxation at effective normal tax rate of 27% (2018: 28%)		**175.7**	159.3
	Permanent differences		**11.2**	23.5
	Disallowable expenditure – depreciation on buildings and amortisation of leasehold improvements		**10.0**	10.2
	– settlement of contingent consideration		**–**	9.6
	– legal, consulting and other		**2.8**	3.7
	– foreign entities		**0.1**	0.1
	Exempt income		**(1.7)**	(0.1)
	Current taxation – prior year over provision		**(9.5)**	(6.5)
	Deferred taxation – prior year under provision		**15.1**	4.3
	Taxation expense recognised in profit		**192.5**	180.6
	Effective taxation rate		**29.1%**	31.3%

The exempt income in 2019 related to the gain on bargain purchase on the acquisition of IIE MSA.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019 *(continued)*

	Audited 2019 R'm	Restated Audited 2018 R'm
9. Earnings per share		
The calculation of the weighted average number of shares for basic and diluted earnings per share, headline earnings per share and normalised earnings per share attributable to equity holders is based on the following data:		
Number of shares		
Weighted average number of shares ('m)	**546.6**	544.6
Less: Weighted average number of shares held by the Share Incentive Trust and under the MSI ('m)	**(7.6)**	(8.7)
Weighted average number of shares for purposes of basic earnings per share ('m)	**539.0**	535.9
Dilutive effect of share options ('m)	**–**	0.2
Weighted average number of shares for purposes of diluted earnings per share ('m)	**539.0**	536.1
There are 476 712 share options that are potentially dilutive but did not have an effect in the current year.		
Earnings		
Earnings for the purpose of basic and diluted earnings per share	**469.4**	386.0
Earnings per share		
Basic (cents)	**87.1**	72.0
Diluted (cents)	**87.1**	72.0

	Audited 2019 R'm		Restated Audited 2018 R'm	
	Gross	**Net**	Gross	Net
10. Headline earnings per share				
Earnings				
Earnings for the purpose of basic and diluted earnings per share		**469.4**		386.0
Items excluded from headline earnings per share	**(5.6)**	**(5.7)**	(2.6)	(3.1)
Loss/(profit) on sale of property, plant and equipment	**0.5**	**0.4**	(0.7)	(0.5)
Profit on sale of subsidiary	**–**	**–**	(0.9)	(0.7)
Impairment of intangible assets	**–**	**–**	3.2	2.3
Gain on bargain purchase of acquisition	**(6.1)**	**(6.1)**	(4.2)	(4.2)
Earnings for the purpose of headline earnings per share		**463.7**		382.9
Headline earnings per share				
Basic (cents)		**86.0**		71.4
Diluted (cents)		**86.0**		71.4

	Audited 2019 R'm		Restated Audited 2018 R'm	
	Gross	**Net**	Gross	Net
11. Normalised earnings per share				
Earnings				
Earnings for the purpose of basic and diluted headline earnings per share		**463.7**		382.9
Items excluded from normalised earnings per share	**(7.4)**	**(4.5)**	40.5	40.5
Corporate action costs	**3.9**	**3.9**	2.0	2.0
Foreign currency gain arising on corporate action	**(6.2)**	**(4.5)**	–	–
Insurance proceeds (net of costs) on previously reported fraud event	**(5.1)**	**(3.9)**	–	–
Settlement of contingent consideration	**–**	**–**	34.3	34.3
Net loss on financial asset at fair value through profit and loss	**–**	**–**	4.2	4.2
Earnings for the purpose of normalised earnings per share		**459.2**		423.4
Normalised earnings per share				
Basic (cents)		**85.2**		79.0
Diluted (cents)		**85.2**		79.0

	Audited 2019 R'm	Audited 2018 R'm
12. Dividends		
Final dividend No 19 paid on 15 April 2019: 15.0 cents per share (2018: No 17: 19.0 cents per share)	**82.0**	103.4
Interim dividend No 20 paid on 30 September 2019: 15.0 cents per share (2018: No 18: 15.0 cents per share)	**82.0**	81.7
Dividend attributable to shares held by the treasury shares	**(0.9)**	(1.9)
Dividends declared by subsidiaries to non-controlling interests	**7.8**	7.3
Total dividends	**170.9**	190.5
On 19 March 2020 the directors decided to delay the consideration of a dividend payment to a future date, subsequent to the date of this report.		
Analysis of dividends per share declared:		
Interim	**15.0**	15.0
Final	**–**	15.0
	15.0	30.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019 *(continued)*

2019	Cost: 1 Jan 2019 R'm	Additions R'm	Acquisitions through business combi-nations R'm	Disposals R'm	Foreign currency effect R'm	**31 Dec 2019 R'm**
13. Property, plant and equipment						
Land and buildings	3 518.7	407.8	406.0	(25.0)	(8.4)	**4 299.1**
Computer equipment	378.6	68.8	5.6	(55.6)	(0.3)	**397.1**
Computer software	16.4	3.5	0.6	(1.0)	–	**19.5**
Furniture, fittings and equipment	324.9	45.7	18.1	(69.2)	(0.7)	**318.8**
Motor vehicles	58.5	5.0	0.1	(1.0)	(0.2)	**62.4**
Video equipment	7.5	3.8	–	(0.1)	–	**11.2**
Leasehold improvements	443.7	148.4	–	(46.1)	–	**546.0**
	4 748.3	683.0	430.4	(198.0)	(9.6)	**5 654.1**

	Accumulated depreciation and impairment: 1 Jan 2019 R'm	Depreciation R'm	Disposals R'm	Foreign currency effect R'm	**31 Dec 2019 R'm**
Land and buildings	139.1	14.8	(24.0)	(0.7)	**129.2**
Computer equipment	243.6	69.8	(54.5)	–	**258.9**
Computer software	8.3	4.1	(1.0)	–	**11.4**
Furniture, fittings and equipment	206.0	42.4	(69.1)	(0.1)	**179.2**
Motor vehicles	37.0	7.6	(1.0)	(0.1)	**43.5**
Video equipment	5.3	1.8	(0.1)	–	**7.0**
Leasehold improvements	165.9	33.8	(45.7)	–	**154.0**
	805.2	174.3	(195.4)	(0.9)	**783.2**

	Net book value: **31 Dec 2019 R'm**	31 Dec 2018 R'm
Land and buildings	**4 169.9**	3 379.6
Computer equipment	**138.2**	135.0
Computer software	**8.1**	8.1
Furniture, fittings and equipment	**139.6**	118.9
Motor vehicles	**18.9**	21.5
Video equipment	**4.2**	2.2
Leasehold improvements	**392.0**	277.8
	4 870.9	3 943.1
Reclassified as non-current assets held for sale	**67.8**	–
Cost	**71.8**	–
Accumulated depreciation	**(4.0)**	–
	4 803.1	3 943.1

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

Included in land and buildings is an amount of R56.3 million (2018: R31.7 million) which relates to buildings that are still in progress.

Included in leasehold improvements is an amount of R8.0 million (2018: R8.6 million) which relates to improvements that are still in progress.

The amount of borrowing costs capitalised to current year additions amounted to R20.9 million (2018: R12.7 million) at a capitalisation rate of 9.0% (2018: 8.9%).

Although property, plant and equipment are held under the cost model, the group obtained an independent valuation of its fixed property during 2019. The valuation was conducted by the Quadrant Property Group, a group of independent sworn valuators. Their valuation based on present land use amounted to R5 407.1 million, a premium of R1 237.2 million or 23% over book value as at December 2019. The previous valuation conducted during 2016 valued the group's fixed property at R3 384.1 million.

Valuations are done on a triennial basis with the next valuation due in 2022.

Land and buildings having a net book value of R2 431.3 million (2018: R2 179.0 million) have been pledged as security for the banking facilities (refer to note 27, 28 and 37).

	Cost							
2018	1 Jan 2018 R'm	Additions R'm	Acquisitions through business combi-nations R'm	Disposals R'm	Disposal of subsidiary R'm	Foreign currency effect R'm	Reallocation R'm	31 Dec 2018 R'm
Land and buildings	3 156.9	341.2	–	(6.0)	–	26.8	(0.2)	3 518.7
Computer equipment	303.4	83.3	1.2	(11.0)	(0.2)	0.3	1.6	378.6
Computer software	14.2	4.6	0.3	(2.7)	–	–	–	16.4
Furniture, fittings and equipment	282.1	52.3	6.9	(16.1)	(0.3)	1.4	(1.4)	324.9
Motor vehicles	51.9	7.7	2.7	(4.3)	–	0.5	–	58.5
Video equipment	5.0	2.5	–	–	–	–	–	7.5
Leasehold improvements	392.0	54.2	–	(2.5)	–	–	–	443.7
	4 205.5	545.8	11.1	(42.6)	(0.5)	29.0	–	4 748.3

	Accumulated depreciation and impairment						
	1 Jan 2018 R'm	Depreciation R'm	Disposals R'm	Disposal of subsidiary R'm	Foreign currency effect R'm	Reallocation R'm	31 Dec 2018 R'm
Land and buildings	126.2	17.9	(5.5)	–	0.5	–	139.1
Computer equipment	196.3	55.9	(9.7)	(0.1)	–	1.2	243.6
Computer software	7.8	3.2	(2.7)	–	–		8.3
Furniture, fittings and equipment	186.3	36.6	(15.7)	(0.1)	0.1	(1.2)	206.0
Motor vehicles	33.9	7.4	(4.3)	–	–		37.0
Video equipment	4.0	1.3	–	–	–		5.3
Leasehold improvements	138.4	29.9	(2.4)	–	–	–	165.9
	692.9	152.2	(40.3)	(0.2)	0.6	–	805.2

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for the year ended 31 December 2019 *(continued)*

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

	Net book value 31 Dec 2018 R'm	Net book value 31 Dec 2017 R'm
Land and buildings	3 379.6	3 030.7
Computer equipment	135.0	107.1
Computer software	8.1	6.4
Furniture, fittings and equipment	118.9	95.8
Motor vehicles	21.5	18.0
Video equipment	2.2	1.0
Leasehold improvements	277.8	253.6
	3 943.1	3 512.6

	Note	**Audited 2019 R'm**	Audited 2018 R'm
14. Proprietary technology systems			
Cost			
Balance at beginning of the year		**141.8**	118.7
Additions		**21.6**	23.1
Balance at end of the year		**163.4**	141.8
Accumulated amortisation			
Balance at beginning of the year		**68.5**	55.4
Amortisation expense	6	**14.0**	13.1
Balance at end of the year		**82.5**	68.5
Carrying amount			
At beginning of the year		**73.3**	63.3
At end of the year		**80.9**	73.3

The student academic management system for schools and tertiary 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 R39.9 million (2018: R26.8 million) which relates to systems that are still under development.

The amount of borrowing costs capitalised to current year additions amounted to R1.1 million (2018: R0.7 million) at a capitalisation rate of 9.0% (2018: 8.9%).

	Cost			
	1 Jan 2019 R'm	Additions R'm	Disposals R'm	**31 Dec 2019 R'm**
15. Right-of-use assets				
Land and buildings	744.1	45.1	(142.2)	**647.0**
Computer equipment	0.6	–	–	**0.6**
	744.7	45.1	(142.2)	**647.6**

	Accumulated depreciation			
	1 Jan 2019 R'm	Depreciation R'm	Disposals R'm	**31 Dec 2019 R'm**
Land and buildings	302.0	103.3	(142.2)	**263.1**
Computer equipment	0.1	0.2	–	**0.3**
	302.1	103.5	(142.2)	**263.4**

	Net book value	
	31 Dec 2019 R'm	31 Dec 2018 R'm
Land and buildings	**383.9**	442.1
Computer equipment	**0.3**	0.5
	384.2	442.6

The group leases several buildings from which it conducts it operations. The leases range from 1 year – 36 years depending on the type of operation.

Approximately 13% of the leases for property, plant and equipment expired in the current financial year. Where appropriate, the expired contracts were replaced by new leases for identical underlying assets. The maturity analysis of lease liabilities is presented in note 32.

Some of the property leases in which the group is the lessee contain variable lease payment terms that are linked to revenue generated from tuition fees and is used to reduce the fixed costs of those businesses. The amount of variable lease payments are disclosed in note 6.

Overall the variable payments constitute up to 13% (2018: 14%) per cent of the group's entire lease payments. The group expects this ratio to remain constant in future years. The variable payments depend on sales and consequently on the overall economic development over the next few years.

There are certain leases within the group which have extension clauses. Where it is reasonably certain that these will be exercised, the extension term has been included in the determination of the right-of-use assets.

The total cash outflow for leases amounted to R156.5 million (2018: R137.3 million).

As at 1 January 2020, the group entered into various leases, which had not commenced by the year-end and as a result, lease liabilities and lease assets have not been recognised for these leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019 *(continued)*

	Cost		
	1 Jan 2018 R'm	Additions R'm	31 Dec 2018 R'm
15. Right-of-use assets *(continued)*			
Land and buildings	634.8	109.3	744.1
Computer equipment	–	0.6	0.6
	634.8	109.9	744.7

	Accumulated depreciation		
	1 Jan 2018 R'm	Depreciation R'm	31 Dec 2018 R'm
Land and buildings	205.9	96.1	302.0
Computer equipment	–	0.1	0.1
	205.9	96.2	302.1

	Net book value	
	31 Dec 2018 R'm	31 Dec 2017 R'm
Land and buildings	442.1	428.9
Computer equipment	0.5	–
	442.6	428.9

	Audited 2019 R'm	Audited 2018 R'm
16. Goodwill		
Cost		
Balance at beginning of the year	**1 465.6**	1 305.3
Additional amounts recognised from business combinations occurring during the year	**–**	129.6
Acquisition price adjustment	**–**	12.2
Disposal of subsidiary	**–**	(2.1)
Foreign currency effect	**(5.7)**	20.6
Balance at end of the year	**1 459.9**	1 465.6

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

16. Goodwill *(continued)*

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.

Goodwill is allocated to each CGU depending on the nature of the underlying business and the cash flows which support the recognition of the goodwill.

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. The future cash flows are supported by the underlying student numbers which are in line with expectations. 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 based on a growth rate of five percent (2018: five 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:

2019 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	**1 256.4**	**126.2**	**5**	**7.0**	**5.0**	**12.61**
Tertiary	**171.5**	**–**	**5**	**7.0**	**5.0**	**12.61**
Resourcing	**32.0**	**–**	**5**	**7.0**	**5.0**	**13.11**
	1 459.9	**126.2**				

2018 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	1 261.0	126.6	5	5.0	5.0	13.08
Tertiary	171.8	–	5	5.0	5.0	13.08
Resourcing	32.8	–	5	5.0	5.0	13.58
	1 465.6	126.6				

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. This sensitivity assessment includes a growth rate of 4% (including in the terminal value) and a discount rate ranging from 13.2% to 16.4%.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019 *(continued)*

	Note	Customer bases R'm	Brand values R'm	**Total audited R'm**
17. Intangible assets				
Cost				
Balance at 1 January 2018		153.7	137.5	**291.2**
Additions through business combinations		3.9	11.7	**15.6**
Foreign currency effect		2.2	2.2	**4.4**
Balance at 1 January 2019		159.8	151.4	**311.2**
Foreign currency effect		(0.5)	(0.7)	**(1.2)**
At 31 December 2019		159.3	150.7	**310.0**
Accumulated amortisation and impairment				
Balance at 1 January 2018		70.9	12.0	**82.9**
Impairment		–	3.2	**3.2**
Amortisation expense	6	12.0	2.1	**14.1**
Balance at 1 January 2019		82.9	17.3	**100.2**
Amortisation expense	6	11.5	1.2	**12.7**
At 31 December 2019		94.4	18.5	**112.9**
Carrying amount				
As at 31 December 2018		76.9	134.1	**211.0**
As at 31 December 2019		64.9	132.2	**197.1**

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

	Total useful life	**Remaining useful life**
Customer bases	5 to 15 years	1 to 13 years
Brand values	5 to 10 years, indefinite life	2 to 7 years, indefinite life

The key factor in the assessing the useful life as indefinite is the reputation of a school which increases over time as it becomes entrenched in its community. The value of a school brand would increase as the school builds its reputation. The brand value of various schools acquired having a carrying amount of R126.2 million (2018: R126.6 million) have a life span in excess of 20 years and therefore an indefinite period of amortisation was selected. Refer to note 16 for details of the assumptions applied in assessing the indefinite useful life intangible assets for impairment.

Intangible assets with a carrying value of R3.2 million relating to the brand values of Summit College and Kathstan College (in the schools division) were impaired during the prior year. The reason for the impairment was the re-branding of these schools as Pinnacle College Kyalami and Pinnacle College Rynfield.

	Audited 2019 R'm	Restated Audited 2018 R'm
18. Deferred taxation		
Opening deferred taxation	**(101.6)**	(94.6)
Adjustment to opening balance	**–**	6.7
Restated opening deferred taxation	**(101.6)**	(87.9)
	23.2	(5.0)
Current year temporary differences	**20.8**	(7.1)
Foreign currency effect	**0.1**	0.1
Movement in deferred taxation assets relating to taxation losses	**2.3**	2.0
Business combinations	**(36.9)**	(4.4)
Prior year under provision	**(15.1)**	(4.3)
Balance at end of the year	**(130.4)**	(101.6)
The deferred tax balance is disclosed as follows:		
Deferred taxation assets	**40.5**	12.6
Deferred taxation liabilities	**(170.9)**	(114.2)
	(130.4)	(101.6)

Deferred taxation assets of R77.2 million (2018: R3.8 million) relating to taxation losses were raised in businesses where it is probable (based on current performance and approved forecasts) that sufficient taxable profits will be available in future to utilise the taxation losses.

Deferred taxation assets relating to temporary differences (other than taxation losses) arising in profitable businesses are recognised as it is probable that sufficient taxable profits will be available in future to realise these assets.

	Audited 2019 R'm	Restated Audited 2018 R'm
The balance comprises:		
Deferred and prepaid expenditure	**(5.7)**	(4.2)
Allowance for future expenditure (S24C)	**(73.9)**	(78.3)
Fees received in advance	**74.7**	93.6
Commercial building allowance	**(75.0)**	(61.1)
Allowance for doubtful debts	**49.9**	48.8
Leave pay accrual	**7.9**	6.2
Property, plant and equipment allowances	**(82.6)**	(26.3)
Estimated taxation losses carried forward	**77.2**	3.8
Net lease liability	**28.7**	21.3
Bonus provision	**12.0**	9.2
Management share incentive scheme awards (MSI)	**5.2**	1.4
Intangible assets	**(50.2)**	(53.9)
Fair value of land and buildings on acquisitions	**(98.6)**	(62.1)
	(130.4)	(101.6)
Deferred taxation accounted for in the statement of profit or loss:		
Deferred and prepaid expenditure	**(1.5)**	0.4
Allowance for future expenditure (S24C)	**(4.8)**	(6.8)
Fees received in advance	**(7.9)**	(6.6)
Commercial building allowance	**(13.9)**	(13.9)
Allowance for doubtful debts	**1.1**	12.9
Leave pay accrual	**1.7**	0.9
Property, plant and equipment allowances	**(56.3)**	(4.0)
Movement in taxation losses	**97.8**	1.6
Net lease liability	**(3.6)**	5.1
Bonus provision	**2.8**	(0.6)
Management share incentive scheme awards (MSI)	**3.8**	0.8
Intangible assets	**3.7**	5.0
Fair value of land and buildings on acquisitions	**0.3**	0.2
	23.2	(5.0)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019 *(continued)*

		Audited 2019 R'm	Audited 2018 R'm
19.	**Investment in joint arrangement/Investment**		
	Investment held at 1 January	**6.2**	12.0
	Exercise of option and disposal of 50% of share capital	**–**	(10.2)
	Disposal of 50% of the share capital	**–**	(6.0)
	Net loss on financial asset at fair value through profit and loss	**–**	(4.2)
	Carrying value of 50% investment	**6.2**	1.8
	Gain on bargain purchase of acquisition of 50% of the share capital	**–**	4.2
	Share of profit from joint arrangement	**1.4**	0.2
	Investment 50% held at 31 December	**7.6**	6.2
	The group holds a 50% interest in Star Schools Proprietary Limited (incorporated in South Africa), a company involved in matric re-writes and the supply of educational study guides, which is classified as a joint arrangement. The investment in the joint arrangement is accounted for using the equity accounting method.		
	Summarised aggregated financial information		
	Revenue	**42.2**	30.6
	Profit for the year	**2.8**	0.6
	Current assets	**6.9**	4.7
	Non-current assets	**2.1**	2.9
	Current liabilities	**(4.1)**	(1.3)
	Non-current liabilities	**(0.2)**	(2.2)
	Net asset value of Star Schools	**4.7**	4.1

		Audited 2019 R'm	Audited 2018 R'm
20.	**Inventories**		
	Books	**18.8**	14.8
	Educational material and promotional items	**3.7**	5.0
		22.5	19.8
21.	**Trade and other receivables**		
	Amounts receivable for tuition fees	**502.2**	415.0
	Amounts receivable for placement fees	**45.1**	33.1
	Amounts receivable from the sale of goods and services	**0.4**	1.0
	Trade receivables	**547.7**	449.1
	Loss allowance	**(301.2)**	(237.9)
		246.5	211.2
	Deposits	**21.8**	15.5
	Staff debtors	**1.2**	1.6
	VAT refundable	**20.5**	1.9
	Other receivables	**36.2**	31.6
		326.2	261.8

The average credit period on sales of goods is 39 days (2018: 37 days). No interest is charged on outstanding trade receivables.

The group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses (ECL). The ECL on trade receivables are estimated using a provision calculation by reference to past default experience of the debtor category, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. This assessment is consistent with prior year.

The group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. In the education institutions, debtors are considered in default when the account is more than 30 days overdue. However, these are written-off only when the student is no longer in attendance and payments are not being received. In the resourcing division, debtors are written-off when there is severe financial difficulty such as bankruptcy. Trade receivables that have been written off remain subject to enforcement activities.

The following table details the risk profile of trade receivables based on the group's provision calculation. As the group's historical credit loss experience does show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is further distinguished between the group's different customer bases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019 *(continued)*

21. Trade and other receivables *(continued)*

Schools

	Performing	**In default**	**Total**	Performing	In default	Total
		2019			2018	
Gross carrying amount	**25.2**	**72.4**	**97.6**	29.8	61.9	91.7
Lifetime ECL	**–**	**(36.4)**	**(36.4)**	–	(32.9)	(32.9)
	25.2	**36.0**	**61.2**	29.8	29.0	58.8

Tertiary

	Performing	**In default**	**Total**	Performing	In default	Total
		2019			2018	
Gross carrying amount	**59.8**	**344.8**	**404.6**	31.5	291.8	323.3
Lifetime ECL	**–**	**(263.4)**	**(263.4)**	–	(202.9)	(202.9)
	59.8	**81.4**	**141.2**	31.5	88.9	120.4

Resourcing

	Performing	**Overdue**	**In default**	**Total**	Performing	Overdue	In default	Total
		2019				2018		
Gross carrying amount	**24.0**	**20.1**	**1.4**	**45.5**	19.2	12.8	2.1	34.1
Lifetime ECL	**–**	**–**	**(1.4)**	**(1.4)**	–	–	(2.1)	(2.1)
	24.0	**20.1**	**–**	**44.1**	19.2	12.8	–	32.0

The following table shows the movement in lifetime ECL that has been recognised for trade and other receivables in accordance with the simplified approach set out in IFRS 9.

	Collectively assessed Lifetime ECL – credit impaired	
	2019	2018
Balance at beginning of the year	**237.9**	172.6
Net remeasurement of loss allowance	**152.3**	114.8
Amounts written off	**(109.4)**	(45.0)
Business combinations	**28.2**	1.0
Amounts recovered	**(7.8)**	(5.5)
Balance at end of the year	**301.2**	237.9

No loss allowance has been included against the performing and overdue categories as these trade receivables are not credit impaired which is consistent with the credit risk grading framework.

21. Trade and other receivables *(continued)*

The table below explains how significant changes in the gross carrying amount of the trade receivables contributed to changes in the loss allowance:

	Increase/(decrease) in lifetime ECL			
	Not credit-impaired	**Credit-impaired**	Not credit-impaired	Credit-impaired
	2019		2018	
Increase in schools institution trade receivables	**(4.6)**	**10.5**	6.7	91.4
Increase in tertiary trade receivables	**28.3**	**53.0**		
Increase/(decrease) in resourcing trade receivables	**11.7**	**(0.7)**	(11.6)	0.3
Settlement in part by certain tertiary brand's trade receivables that were more than 365 days past due	**–**	**(63.9)**	–	(53.9)
Increase in trade receivables due to business combinations	**45.1**	**28.2**	31.6	1.0

	Note	**Audited 2019 R'm**	Audited 2018 R'm
22. Cash and cash equivalents			
Bank balances and cash		**170.5**	228.9
Bank overdraft		**(45.2)**	(48.4)
Net cash and cash equivalents		**125.3**	180.5
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.			
23. Non-current assets held for sale			
Land and buildings	13	**67.8**	–

During the year, the group implemented plans to consolidate certain schools and tertiary sites. As a result of this, some land and buildings became vacant and were deemed surplus to requirements. Management committed to a plan to dispose of these assets and these were actively marketed to be sold at market value. The sale is expected to be realised within the next 12 months.

These assets are recorded at carrying value as the selling price is expected to exceed the book value of the assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019 *(continued)*

24. Stated capital

Authorised

1 000 000 000 shares of no par value (2018: 1 000 000 000 shares)

	Number of shares 2019 'm	**Audited Stated capital 2019 R'm**	Number of shares 2018 'm	Audited Stated capital 2018 R'm
Issued				
Balance at 1 January	**546.6**	**1 514.0**	544.4	1 481.9
Shares issued for the management share incentive scheme	**2.2**	**25.1**	2.2	32.1
Share issue costs	**–**	**(0.1)**	–	–
Balance at 31 December	**548.8**	**1 539.0**	546.6	1 514.0

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.

25. 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. No new options will be granted under this scheme as it has been replaced by the MSI as disclosed in note 26.

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)
21 October 2013	31 Dec 2019	664	4.3	176
02 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
06 March 2017	31 Dec 2023	1 859	3.2	646

	Number of share options	**Weighted average exercise price (cents)**	Number of share options	Weighted average exercise price (cents)
Reconciliation of options	**2019**		2018	
Options outstanding on 1 January	**3 413 779**	**1 274**	4 768 563	1 165
Less – Exercised	**(342 333)**	**697**	(1 080 117)	775
– Lapsed	**(383 932)**	**1 156**	(274 667)	1 339
Options outstanding at 31 December	**2 687 514**	**1 364**	3 413 779	1 274

As at 31 December 2019 there were 78 (2018: 83) participants (including executive directors) in the ADvTECH share incentive scheme.

25. ADvTECH share incentive scheme *(continued)*

	Number of shares		Loan receivable R'm	
Reconciliation of shares owned	**2019**	2018	**2019**	2018
Shares owned by the trust as at 1 January	**3 813 057**	7 023 600	**21.4**	39.3
Less – Shares transferred to MSI (Refer to note 26)	**(738 031)**	(2 130 426)	**(4.1)**	(11.9)
– Options exercised during the year	**(342 333)**	(1 080 117)	**(2.0)**	(6.0)
Shares owned by the trust at 31 December	**2 732 693**	3 813 057	**15.3**	21.4

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 2017 year when the last options were issued were as follows:

	2017
Weighted average exercise price (cents)	1 859
Expected volatility	23%
Expected life	5.2 years
Risk free rate	9%
Expected dividend yield	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 a total expense of R2.7 million (2018: R4.4 million) related to share-based payment transactions during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019 *(continued)*

26. ADvTECH management Share Incentive Scheme (MSI)

Certain employees and executive directors are eligible to participate in the scheme. Share awards accepted by participants vest 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. The management share incentive scheme is equity-settled.

Date awards granted	Vesting date year ending	Fair value of awards granted (cents)
28 September 2017	31 Dec 2020	1 715
27 September 2018	31 Dec 2021	1 485
18 September 2019	31 Dec 2022	1 167

	Number of share awards	**Weighted average exercise price (cents)**	Number of share awards	Weighted average exercise price (cents)
Reconciliation of awards	**2019**		2018	
Awards outstanding on 1 January	**3 911 710**	**1 604**	1 781 288	1 715
Add – Awards granted during the year	**3 064 911**	**1 167**	2 266 166	1 485
– Forfeited	**(172 823)**	**1 575**	(135 744)	1 715
Awards outstanding at 31 December	**6 803 798**	**1 395**	3 911 710	1 604

As at 31 December 2019 there were 36 (2018: 37) participants (including executive directors) in the MSI.

	Number of shares	
Reconciliation of shares owned	**2019**	2018
Shares owned by the group as at 1 January	**3 911 714**	1 781 288
Add – Shares bought from the Share Incentive trust (Refer to note 25)	**738 031**	2 130 426
– Shares issued into the MSI	**2 154 057**	–
Shares owned by the group at 31 December	**6 803 802**	3 911 714

The group recognised total expenses of R13.6 million (2018: R2.8 million) related to the MSI during the year.

Read more in the RemCom report

	Audited 2019 R'm	Audited 2018 R'm
27. Long-term bank loans		
Secured term loan	**1 800.0**	1 500.0
Mortgage loan	**–**	1.9
Fixed-term loan	**–**	3.8
	1 800.0	1 505.7
Disclosed as:		
Current liabilities	**–**	5.7
Non-current liabilities	**1 800.0**	1 500.0
	1 800.0	1 505.7

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

Secured term loan

On 28 September 2018, the secured term loan was replaced by three new secured term facilities, namely secured term loan A, B and C.

Secured term loan A is a three year facility amounting to R600.0 million which came into effect on 28 September 2018 and attracts interest at JIBAR + 1.65%.

Secured term loan B is a four year facility amounting to R600.0 million which came into effect on 28 September 2018 and attracts interest at JIBAR + 1.775%.

Secured term loan C is a five year facility amounting to R600.0 million which came into effect on 28 September 2018 and attracts interest at JIBAR + 1.90%.

These facilities are secured by mortgage bonds over properties having a net book value of R2 431.3 million. Refer to note 13.

Refer to note 37 for details on securities on the term loans.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019 *(continued)*

	Audited 2019 R'm	Restated Audited 2018 R'm
28. Short-term bank loan		
Group revolving credit facility	**850.0**	590.0
Kenyan subsidiary revolving credit facility	**30.1**	–
	880.1	590.0

The group revolving credit facility is secured by mortgage bonds over properties having a net book value of R2 431.3 million (2018: R2 145.3 million). Refer to notes 13, 27 and 37.

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

Group revolving credit facility

This represents a R950.0 million revolving credit facility that is available to the group for a three year period commencing on 28 September 2018.

The facility utilised attracts interest at the following rates:

› total net borrowings to EBITDA ratio less than 1.5: JIBAR + 1.625%
› total net borrowings to EBITDA ratio less than 2.5 and greater than or equal to 1.5: JIBAR + 1.775%
› total net borrowings to EBITDA ratio greater than or equal to 2.5: JIBAR + 1.925%

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

Kenyan subsidiary revolving credit facility

This represents a KES 303.0 million revolving credit facility that is available to Makini Schools Limited (a partially owned subsidiary) for a period of 3 years. The facility bears interest at the Kenya Central Bank Rate plus 3.25%.

Refer to note 37 for details on securities.

	Audited 2019 R'm	Restated Audited 2018 R'm	Restated Audited 2017 R'm
29. Trade and other payables			
Trade payables and accruals	**408.0**	345.8	310.8
Leave pay accrual	**28.5**	22.7	19.2
	436.5	368.5	330.0

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 2019 R'm	Restated Audited 2018 R'm
30.	**Acquisition liabilities**		
	Acquisition liabilities	**74.4**	72.9
	A portion of the acquisition consideration of Pinnacle College Kyalami (previously 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.		
	Deferred consideration amounting to R21.0 million is payable to the vendors of Makini Schools Limited.		
31.	**Fees received in advance and deposits**		
	Fees received in advance[i]	**286.3**	304.1
	Deposits[ii]	**42.5**	58.4
	Total	**328.8**	362.5
	There were no significant changes in the contract liability balance during the reporting period.		
	There was no revenue recognised in the current reporting period that related to performance obligations that were satisfied in a prior year.		
	Revenue recognised that was included in the contract liability balance at the beginning of the period:		
	Fees received in advance	**304.1**	347.5

i The fees received in advance, representing a contract liability, is recognised over time as the education services are delivered. It represents performance obligations that are unsatisfied (or partially unsatisfied) as at the end of the reporting period. Management expects that 100% of the fees received in advance allocated to the unsatisfied contracts as of 31 December 2019 and 31 December 2018 will be recognised as revenue during the next reporting period.

ii The deposits are refundable and therefore has no impact on revenue recognised. Accordingly this is not a contract liability but rather a financial instrument, refer to note 34.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019 *(continued)*

	Note	**Audited 2019 R'm**	Restated Audited 2018 R'm	Restated Audited 2017 R'm
32. Lease liabilities				
Lease liabilities		**485.5**	537.8	505.8
Disclosed as:				
Current liabilities		**116.3**	156.7	137.3
Non-current liabilities		**369.2**	381.1	368.5
		485.5	537.8	505.8
Balance as at 1 January		**537.8**	505.8	
Amounts raised on new leases		**44.6**	110.0	
Finance costs on lease liabilities	7.3	**59.6**	59.3	
Repayment of lease liability		**(156.5)**	(137.3)	
Balance as at 31 December		**485.5**	537.8	
Maturity Analysis				
Year 1		**116.3**	149.9	129.2
Year 2		**94.7**	109.4	140.6
Year 3		**82.9**	87.4	96.9
Year 4		**51.6**	75.0	75.7
Year 5		**30.1**	43.2	53.8
Onwards		**109.9**	72.9	9.6

The group applied an incremental borrowing rate ranging between 8.5% and 12% to determine the lease liabilities on 1 January 2019 depending on the length of the lease.

The group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored at a group level.

	Audited 2019 R'm	Audited 2018 R'm
33. Commitments		
33.1 Capital commitments		
Capital expenditure approved by the directors:		
Contracted but not provided for	**363.8**	819.3
Not contracted	**763.0**	1 081.8
	1 126.8	1 901.1
Capital commitments will be financed through existing facilities and cash generated by operations.		
Anticipated timing of spend:		
0 – 2 years	**367.5**	1 170.6
3 – 5 years	**428.7**	360.7
more than 5 years	**330.6**	369.8
	1 126.8	1 901.1
33.2 Equipment lease commitments in cash		
Equipment:		
Due within one year	**4.0**	6.2
Due within two to five years	**3.3**	3.5
	7.3	9.7
The leases relate equipment with various lease terms. The commitments include specified escalations in lease payments.		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019 *(continued)*

	Audited 2019 R'm	Restated audited 2018 R'm
34. Financial instruments		
Categories of financial instruments		
Financial assets		
Amortised cost		
Trade and other receivables	**326.2**	261.8
Bank balances and cash	**170.5**	228.9
Financial liabilities		
Amortised cost		
Long-term bank loans	**1 800.0**	1 505.7
Short-term bank loans	**880.1**	590.0
Trade and other payables	**408.0**	345.8
Deposits	**42.5**	58.4
Shareholders for dividends	**1.5**	1.3
Bank overdraft	**45.2**	48.4

Financial risk management objectives and policies

The group's principal financial instruments comprise bank loans, bank and cash equivalents and various items such as trade receivables and payables that arise directly from operations. All financial instruments are carried at amortised cost. The main purpose of these instruments is to finance the group's operations.

The support office function co-ordinates access to funds. The financial management function of the group monitors and manages the credit risk, liquidity risk and market risk (including interest rate risk, currency risk and other price risk).

Monthly reporting to the chief operating decision maker enables risk monitoring and enable risk exposure mitigation.

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 short-term bank loan.

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

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established appropriate liquidity risk management procedures for the management of the group's short-, medium- and long-term funding and liquidity management requirements. The group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by daily monitoring forecast and actual cash flows, and by assessing the maturity profiles of financial assets and liabilities. Surplus funds are placed on short-term deposits.

Bank overdraft, term loans and revolving credit facilities available at 31 December 2019 amounted to R2 906.9 million (2018: R2 548.8 million) of which R2 725.3 million (2018: R2 144.1 million) has been utilised at year-end.

All financial assets are expected to be realised within 1 year.

34. Financial instruments *(continued)*

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 set at the earliest date on which the group may be required to pay. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Capital outflow as at 31 December 2019		Capital outflow as at 31 december 2018	
	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	**–**	**1 800.0**	–	1 500.0
Mortgage loan	**–**	**–**	1.9	–
Fixed term loan	**–**	**–**	3.8	–
Revolving credit facility	**880.1**	**–**	590.0	–
Trade and other payables	**407.9**	**–**	404.3	–
Deposits	**42.5**	**–**	58.4	–
Bank overdraft	**45.2**	**–**	48.4	–
Total	**1 375.7**	**1 800.0**	1 106.8	1 500.0

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. 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 expected loss allowances. The group has no concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Credit risk controls are in place in the form of upfront deposits before enrolment. Other monitoring procedures are also in place to ensure that follow-up action is taken to recover overdue debts or ultimately the suspension of delivery of services.

In order to minimise credit risk, the group has tasked its financial management to categorise exposures according to their degree of risk of default. The credit rating information is obtained from the group's own trading records which is based on historical trends while being cognisant of the current economic environment. The group's exposure is continuously monitored.

At the end of the reporting period the group reviews the recoverable amount of trade debtors to ensure that adequate loss allowance is made for irrecoverable amounts. In this regard, the directors of the company consider that the group's credit risk is significantly mitigated.

The group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The group determines the expected credit losses on these items by using a provision calculation, estimated based on historical credit loss experience with focus on the categories of the credit risk framework of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Note 21 includes further details on the loss allowance for trade and other receivables.

Bank balances and cash falls under a "performing" internal credit rating resulting in the consideration of 12 month expected credit loss. As bank balances and cash are held with reputable international banking institutions no loss allowance has been included against this balance.

Market risk

The group's activities expose it primarily to the financial risks of changes in interest rates and foreign currency exchange rates. Market risk exposures are separately measured as detailed in the respective notes below. There has been no change to the group's exposure to market risks or the manner in which these risks are managed and measured.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019 *(continued)*

34. Financial instruments *(continued)*

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.

A sensitivity analysis have been determined based on the exposure to interest rates at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 1% increase or decrease is used as a reasonably possible change in interest rates.

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 R17.6 million (2018: R13.5 million).

The group's sensitivity to interest rates have increased during the current year mainly due to the increase in the long- and short-term bank loans in place as detailed in notes 27 and 28.

The group's exposure to interest rates on financial assets and financial liabilities are detailed in the table below:

		Interest outflow as at 31 December 2019		Interest outflow as at 31 december 2018	
	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	**154.2**	**309.9**	134.0	403.3
Mortgage loan	Variable	**–**	**–**	0.4	–
Fixed term loan	8.50%	**–**	**–**	0.2	–
Revolving credit facility	Variable	**3.0**	**–**	3.8	–
Total		**157.2**	**309.9**	138.4	403.3

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.

The carrying amounts of the group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows.

	Liabilities		**Assets**	
	2019	2018	**2019**	2018
United States Dollar	**0.7**	0.4	**5.4**	5.3
Great British Pound	**0.6**	–	**–**	–
Australian Dollar	**0.3**	–	**–**	–

In the current year as well as the prior year, fluctuations in the exchange rates are unlikely to have a material impact on the group's results hence, the group's foreign currency exposure risk has not changed significantly year on year.

Fair value measurements

The directors consider that the carrying amount of the financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

	Notes	**Audited 2019 R'm**	Restated Audited 2018 R'm
35. Notes to the statement of cash flows			
35.1 Cash generated from operations			
Profit before taxation		**660.8**	576.7
Adjusted for non-cash IFRS and other adjustments (before taxation)		**10.6**	5.1
		671.4	581.8
Adjustments:		**520.7**	501.3
Depreciation, amortisation and impairment	6	**304.5**	278.8
Shares issued on settlement of contingent consideration		**–**	32.1
Net finance costs	7	**221.8**	192.0
Net loss on financial asset at fair value through profit and loss	19	**–**	4.2
Gain on bargain purchase of acquisition	38/19	**(6.1)**	(4.2)
Profit on disposal of subsidiary	6	**–**	(0.9)
Loss/(profit) on sale of property, plant and equipment	6	**0.5**	(0.7)
		1 192.1	1 083.1
35.2 Movement in working capital			
Increase in inventories		**(2.7)**	(4.7)
(Increase)/decrease in trade and other receivables and prepayments		**(14.9)**	39.9
Increase in trade and other payables and provisions		**46.5**	12.3
Decrease in fees received in advance and deposits		**(137.4)**	(114.3)
Increase in working capital		**(108.5)**	(66.8)
35.3 Taxation paid			
Balance at beginning of the year		**16.6**	(6.3)
Business combinations		**(1.3)**	(1.1)
Current charge		**(200.6)**	(173.7)
Taxation on equity item		**(1.0)**	(4.4)
Foreign taxation credits		**1.5**	–
Balance at end of the year		**(39.0)**	(16.6)
Cash amount paid		**(223.8)**	(202.1)
35.4 Dividends paid			
Balance at beginning of the year		**(1.3)**	(1.6)
Declared during the year	12	**(170.9)**	(190.5)
Balance at end of the year		**1.5**	1.3
Cash amount paid		**(170.7)**	(190.8)
35.5 Additions to property, plant and equipment to maintain operations			
Land and buildings		**(22.2)**	(40.9)
Computer equipment		**(41.3)**	(56.7)
Computer software		**(2.9)**	(2.2)
Furniture, fittings and equipment		**(29.3)**	(27.4)
Motor vehicles		**(3.7)**	(6.1)
Video equipment		**(1.5)**	(1.9)
Leasehold improvements		**(41.3)**	(8.8)
		(142.2)	(144.0)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019 *(continued)*

	Notes	**Audited 2019 R'm**	Restated Audited 2018 R'm
35. Notes to the statement of cash flows (continued)			
35.6 Additions to property, plant and equipment to expand operations			
Land and buildings		**(366.6)**	(288.6)
Computer equipment		**(27.5)**	(26.6)
Computer software		**(0.6)**	(1.7)
Furniture, fittings and equipment		**(16.4)**	(24.9)
Motor vehicles		**(1.3)**	(1.6)
Video equipment		**(2.3)**	(0.6)
Leasehold improvements		**(103.3)**	(45.2)
		(518.0)	(389.2)
35.7 Business combinations cash flows			
Additions to property, plant and equipment		**(430.4)**	(11.1)
Additions to current assets		**(168.3)**	(35.1)
Additions to non-current liabilities		**36.9**	4.4
Additions to current liabilities		**119.7**	82.4
Gain on bargain purchase/(additions to goodwill)		**6.1**	(129.6)
Additions to intangible assets		**–**	(15.6)
Additions to non-controlling interests		**–**	(6.9)
Cash and cash equivalents acquired		**116.0**	(2.9)
Non-cash consideration		**–**	(0.5)
		(320.0)	(114.9)
35.8 Free operating cash flow before capex per share			
Profit for the year		**468.3**	396.1
Adjusted for non-cash IFRS and other adjustments (after taxation)		**7.5**	5.1
Net operating profit after taxation – adjusted for non-cash IFRS and other adjustments		**475.8**	401.2
Depreciation and amortisation		**304.5**	278.8
Repayment of lease liabilities		**(96.9)**	(78.0)
Taxation adjustment on IFRS 16 leases		**(1.6)**	(5.7)
Settlement of contingent consideration		**–**	34.3
Other non-cash flow items (after taxation)		**0.4**	(0.5)
Operating cash flow after taxation		**682.2**	630.1
Movement in working capital		**(108.5)**	(66.8)
Free operating cash flow before capex		**573.7**	563.3
Free operating cash flow before capex per share (cents)		**106.4**	105.1

36. 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.

Please refer to note 5 of the company annual financial statements for details of group entities.

Directors, prescribed officers and senior executive remuneration

Emoluments paid to executive directors and prescribed officers of the group (excluding gains on share options exercised) for the ended 31 December 2019, are set out below:

	Salary R	Bonus R	Expense allowances R	Provident fund contributions R	**Total 2019 R**	Total 2018 R
Executive						
RJ Douglas	3 853 259	1 472 408	180 000	514 240	**6 019 907**	4 971 125
JDR Oesch	2 840 749	738 822	150 000	381 320	**4 110 891**	3 677 085
Total executive	6 694 008	2 211 230	330 000	895 560	**10 130 798**	8 648 210
Prescribed officers						
MD Aitken	2 469 509	563 471	271 020	194 213	**3 498 213**	2 893 213
FJ Coughlan	2 396 147	421 572	211 020	313 159	**3 341 898**	3 158 582
DL Honey	2 813 161	790 352	221 916	370 918	**4 196 347**	3 787 872
Total prescribed officers	7 678 817	1 775 395	703 956	878 290	**11 036 458**	9 839 667

Emoluments paid to non-executive directors of the group for the ended 31 December 2019, are set out below:

	Board R	Audit committee R	Risk committee R	Remu-neration committee R	Transfor-mation, social and ethics committee R	Investment committee R	**Total 2019 R**	Total 2018 R
CH Boulle	586 356	–	16 714	15 026	–	96 115	**714 211**	919 326
JS Chimhanzi	324 439	88 484	51 125	–	–	–	**464 048**	461 766
BM Gourley	389 327	106 182	115 337	–	23 462	61 350	**695 658**	868 598
JM Hofmeyr	324 439	–	16 714	54 203	69 007	–	**464 363**	490 196
JD Jansen	324 439	–	–	–	117 980	–	**442 419**	432 130
SC Masie	298 484	–	43 259	–	–	51 125	**392 868**	416 588
KDM Warburton	324 439	161 750	16 714	54 203	–	16 714	**573 820**	723 110
JS Zimmermann	389 327	–	–	65 044	–	61 350	**515 721**	362 255
SA Zinn	324 439	–	–	75 683	69 007	51 125	**520 254**	521 419
Total non-executive	3 285 689	356 416	259 863	264 159	279 456	337 779	**4 783 362**	5 195 388

An amount of R292 002 (2018: R167 679) relating to value-added tax was paid on director fees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019 *(continued)*

36. Related party transactions *(continued)*

MSI

The directors and prescribed officers were awarded the following shares at 31 December 2019:

	Share awards as at 31 December 2018	Share awards awarded during the year	Share awards vested during the year		**Share awards as at 31 December 2019**
	Number	Number	Number	Benefit arising on vesting of awards (R)	**Number**
Directors					
RJ Douglas	246 806				**246 806**
	301 758				**301 758**
		397 162			**397 162**
JDR Oesch	140 105				**140 105**
	171 300				**171 300**
		238 985			**238 985**
Prescribed officers					
MD Aitken	128 624				**128 624**
	155 793				**155 793**
		205 048			**205 048**
FJ Coughlan	89 614				**89 614**
	110 079				**110 079**
		155 747			**155 747**
DL Honey	140 007				**140 007**
	171 180				**171 180**
		242 198			**242 198**
	1 655 266	1 239 140	–	–	**2 894 406**

Read more in the RemCom report

36. Related party transactions *(continued)*

Share incentive (options) scheme

The directors and prescribed officers held the following share options at 31 December 2019:

	Share options as at 31 December 2018		Share options lapsed during the year		Share options exercised during the year			**Share options as at 31 December 2019 Number**
	Number	Exercise price (cents)	Number	Exercise price (cents)	Number	Market price at exercise date (cents)	Benefit arising on exercise of options (R)	
Directors								
RJ Douglas	40 000	664	40 000	664				**–**
	83 333	820						**83 333**
	50 000	1 260						**50 000**
	55 533	1 696						**55 533**
JDR Oesch	40 000	664			40 000	1 127	185 200	**–**
	50 000	1 260						**50 000**
	41 100	1 696						**41 100**
Prescribed officers								**–**
MD Aitken	11 667	1 696						**11 667**
FJ Coughlan	72 000	1 260						**72 000**
	30 133	1 696						**30 133**
DL Honey	40 000	664			40 000	1 083	167 600	**–**
	80 000	1 260						**80 000**
	41 100	1 696						**41 100**
	634 866		40 000		80 000		352 800	**514 866**

Details regarding directors' and prescribed officers' interests are disclosed in the directors' report on pages 87 to 88.

37. Securities on term loans and short term bank loans

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 loans and revolving credit facilities. These facilities are also secured by mortgage bonds over properties having a net book value of R2 431.3 million (2018: R2 145.3 million). As at 31 December 2019 the total amount of facilities utilised amounted to R2 650.0 million and overdrafts utilised amounted to R45.2 million as per notes 22, 27 and 28.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019 *(continued)*

	Audited 2019 R'm
38. Business combinations	
IIE MSA (formerly Monash South Africa)	
A 100% interest in Latiano 754 Proprietary Limited as well as the assets and liabilities of Monash South Africa Proprietary Limited were acquired (resulting in the ability to direct the operations of Monash South Africa which was rebranded as IIE MSA) on 1 April 2019 for consideration of R436.0 million. The fair value of the net assets acquired exceeded the consideration resulting in a gain on bargain purchase.	
Non-current assets acquired	
Property, plant and equipment	**430.4**
Current assets acquired	
Trade and other receivables$	**52.3**
Cash and cash equivalents	**116.0**
Non-current liabilities acquired	
Deferred tax	**(36.9)**
Current liabilities acquired	
Trade and other payables	**(15.9)**
Fees received in advance	**(103.8)**
Gain on bargain purchase	**(6.1)**
	436.0

Revenue of R195.0 million and profit after taxation of R7.0 million has been included in the consolidated statement of profit or loss.

Revenue of R273.7 million and profit after taxation of R16.8 would have been recognised in the consolidated statement of profit or loss if the acquisition was done at the beginning of the reporting period.

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

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

$ *Included in trade and other receivables are trade receivables with a gross fair value of R73.3 million. This equals the gross amount of contractual amounts receivable. A provision of R28.2 million has been recognised against the gross fair value at acquisition.*

39. Going concern

The annual financial statements of the group and company are prepared on a going concern basis.

The negative working capital is due to fees received in advance where the obligation relates to providing services rather than the outflow of cash. Although current liabilities exceed current assets, the group generates significant cash flow at the beginning of each year and is able to settle its liabilities in the ordinary course of business.

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.

40. Events after the reporting period

In our response to the Covid-19 pandemic, the safety and wellbeing of all our staff and pupils, and the continuation of quality teaching and learning is paramount and will remain our first priority. We have established an incident support team and have closed our schools and tertiary institutions until 14 April 2020 which is consistent with guidance from government. We are leveraging and making full use of online learning tools and systems previously implemented in both the schools and tertiary divisions such as IIELearn, our Learning Management System, which supports our teaching and learning strategies. We continue to explore internet access solutions for learners in the mid-fee and tertiary divisions who do not have at-home solutions.

The directors are not aware of any other 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 2019 or the financial position at that date.

41. Settlement of contingent consideration

In terms of the sale of business agreement entered into between ADvTECH Limited and the previous owners of Maramedia Proprietary Limited ("the vendors"), the purchase consideration was to be determined based on the earnings for the year ended 31 December 2015. Initially the fair value of the contingent consideration was determined to be nil but was nevertheless disclosed as a contingent liability in prior years.

Based on an arbitration award during 2018 in favour of the vendors, 2.2 million ADvTECH Limited shares and related dividends to the value of R34.3 million were awarded in settlement of the contingent liability and was settled in the prior year. As this adjustment fell outside the measurement period as defined by IFRS 3, it was therefore recognised in the prior year in the statement of profit and loss.

COMPANY STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2019 *(continued)*

	Notes	**Audited 2019 R'm**	Audited 2018 R'm
Revenue	1	**150.0**	150.0
Staff costs	2	**(6.1)**	(6.5)
Other operating income		**6.1**	3.4
Operating profit before interest and settlement		**150.0**	146.9
Settlement of contingent consideration*		**–**	(34.3)
Operating profit before interest	2	**150.0**	112.6
Finance costs paid	3	**–**	(0.3)
Profit before taxation		**150.0**	112.3
Taxation	4	**(0.3)**	–
Profit for the year#		**149.7**	112.3

* *Refer to note 41 of the consolidated annual financial statements.*
\# *The company did not earn other comprehensive income during the year.*

COMPANY STATEMENT OF FINANCIAL POSITION

as at 31 December 2019

	Notes	**Audited 2019 R'm**	Audited 2018 R'm
ASSETS			
Non-current assets			
Investments in subsidiaries at cost	5	**658.4**	658.4
Loan to Share Incentive Trust*		**15.3**	21.4
		673.7	679.8
Current assets			
Loans to subsidiaries	5	**844.3**	826.4
Trade and other receivables	6	**39.2**	36.2
Prepayments		**0.1**	0.1
		883.6	862.7
Total assets		**1 557.3**	1 542.5
EQUITY AND LIABILITIES			
Capital and reserves			
Stated capital	7	**1 539.1**	1 514.0
Share incentive reserve		**36.1**	32.1
Accumulated loss		**(22.9)**	(9.5)
Total equity		**1 552.3**	1 536.6
Current liabilities			
Trade and other payables	8	**1.8**	2.1
Taxation		**0.9**	1.7
Shareholders for capital distribution		**0.8**	0.8
Shareholders for dividend		**1.5**	1.3
		5.0	5.9
Total equity and liabilities		**1 557.3**	1 542.5

* *Refer to note 25 of the consolidated annual financial statements.*

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2019

	Note	Stated capital R'm	Share incentive reserve R'm	Accumulated loss R'm	Total equity R'm
Balance at 1 January 2018		1 481.9	14.5	61.4	1 557.8
Total profit and comprehensive income for the year				112.3	112.3
Dividends declared to shareholders*				(183.2)	(183.2)
Shares issued	7	32.1			32.1
Share options exercised**			2.3		2.3
Share awards under the management share incentive scheme (MSI)**			19.7		19.7
Taxation effect of share awards under the management share incentive scheme (MSI)			(4.4)		(4.4)
Balance at 31 December 2018		**1 514.0**	**32.1**	**(9.5)**	**1 536.6**
Total profit and comprehensive income for the year				149.7	149.7
Dividends declared to shareholders*				(163.1)	(163.1)
Shares issued	7	25.1			25.1
Share options exercised**			0.5		0.5
Share awards under the management share incentive scheme (MSI)**			4.5		4.5
Taxation effect of share awards under the management share incentive scheme (MSI)			(1.0)		(1.0)
Balance at 31 December 2019		**1 539.1**	**36.1**	**(22.9)**	**1 552.3**

* *Refer to note 12 of the consolidated annual financial statements.*
** *Refer to notes 25 and 26 of the consolidated annual financial statements for details on the share incentive schemes.*

COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 December 2019

	Notes	**Audited 2019 R'm**	Audited 2018 R'm
Cash flows from operating activities			
Cash utilised in operations	11.1	**–**	(5.3)
Movement in working capital	11.2	**5.4**	29.4
Cash generated by operating activities		**5.4**	24.1
Finance costs paid	3	**–**	(0.3)
Taxation paid	11.3	**(2.1)**	(7.3)
Dividends paid	11.4	**(162.9)**	(183.1)
Net cash outflow from operating activities		**(159.6)**	(166.6)
Cash flows from financing activities			
Effects of share options exercised on the share option reserve		**0.5**	2.3
Movement in the loan to Share Incentive Trust		**1.9**	6.0
Decrease in loans to subsidiaries*		**157.2**	158.3
Net cash inflow from financing activities		**159.6**	166.6
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		**–**	–

* *Included in decrease in loans to subsidiaries line is a non-cash movement relating to dividends received of R150.0 million received from The Independent Institute of Education Proprietary Limited.*

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 31 December 2019

The accounting policies applied are consistent with the group accounting policies detailed on page 94 to 105.

		Audited 2019 R'm	Audited 2018 R'm
1.	**Revenue**		
	The company derives its revenue from dividends from subsidiaries and is recognised at a point in time when the rights to receive payment have been established.		
	Dividend received from subsidiary	**150.0**	150.0
2.	**Operating profit before interest**		
	Operating profit before interest is stated after taking the following into account:		
	Auditors' remuneration – current year audit fee	**1.3**	1.3
	Directors' emoluments – for services as directors	**4.8**	5.2
	Directors' emoluments – VAT on non-executive director fees	**0.3**	0.2
	Staff costs	**1.0**	1.1
	Total staff costs	**6.1**	6.5
3.	**Finance costs paid**		
	Interest paid to vendors	**–**	(0.3)
4.	**Taxation**		
4.1	**Taxation expense comprises**		
	Total taxation expense	**0.3**	–
4.2	**Reconciliation of taxation**		
	Profit before taxation	**150.0**	112.3
	Taxation at 28%	**42.0**	31.4
	Permanent differences – non-taxable income	**(41.7)**	(31.4)
	Disallowable expenditure – settlement of contingent consideration	**–**	9.6
	Disallowable expenditure – legal and consulting fees	**0.3**	1.0
	Non-taxable income (dividend received)	**(42.0)**	(42.0)
	Taxation expense recognised in profit	**0.3**	–

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 31 December 2019

	Issued share capital		Proportion held directly or indirectly		Interest of holding company: Shares		Interest of holding company: Loans receivable		
	31 Dec 2019 R	31 Dec 2018 R	**31 Dec 2019 %**	31 Dec 2018 %	**31 Dec 2019 R'm**	31 Dec 2018 R'm	**31 Dec 2019 R'm**	31 Dec 2018 R'm	Principal activity
5. Investments in and loans to subsidiaries and joint arrangements									
Direct:									
The Independent Institute of Education (Pty) Ltd	**2**	2	**100**	100	**101.2**	101.2	**809.3**	791.4	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	**–**	–	**–**	–	4
ADvTECH Resource Holdings (Pty) Ltd	**3 150 023**	3 150 023	**100**	100	**59.8**	59.8	**0.9**	0.9	2
Indirect:									
ADvTECH Kenya Ltd (d)	**119 560 239**	119 560 239	**100**	100					1
ADvTECH Mauritius Ltd (a)	**142 714**	142 714	**100**	100					2
ADvTECH Resourcing (Pty) Ltd	**100**	100	**100**	100			**7.1**	7.1	3
ADvTECH Resourcing Investments (Pty) Ltd	**68 508 341**	68 508 341	**100**	100					2
Africa HR Solutions Ltd (a)	**100**	100	**51**	51					3
Bryan Hattingh Independent Services (Pty) Ltd	**1**	1	**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
Charterhouse Private Schools (Pty) Ltd	**100**	100	**100**	100					1
Future Indefinite Investments 82 (Pty) Ltd	**100**	100	**100**	100					2
Innospan Investments (Pty) Ltd	**1 000**	1 000	**100**	100					4/1
Kapele Appointments (Pty) Ltd	**100**	100	**70**	70					4
Knyber (Botswana) (Pty) Ltd (b)	**370 413**	370 413	**100**	100					1
Latiano 754 (Pty) Ltd	**47 431 741**	–	**100**	–					2
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					4/2
Oxbridge Academy (Pty) Ltd	**100**	100	**51**	51					1
Resen Holdings (Pty) Ltd (b)	**89 873 101**	89 873 101	**100**	100					2
Resource Development International (Pty) Ltd	**200**	200	**100**	100					4
Schole Mauritius Limited (a)	**125 085 946**	95 200 036	**77**	71					2
Shetland Investments (Pty) Ltd	**100**	100	**100**	100					2
Star Schools (Pty) Ltd (joint arrangement)	**100**	100	**50**	50					1
Strategic Connection (Pty) Ltd	**100**	100	**100**	100					4
The Makini School Limited (d)	**4 970 800**	4 970 800	**77**	71					1
The Private Hotel School (Pty) Ltd	**100**	100	**80**	80					1
Ubiquity Open Academy Holdings (Pty) Ltd	**20 408**	20 408	**51**	51					2
UOA Zambia Investments Ltd (c)	**15 000**	15 000	**51**	51					2
University of Africa Ltd (c)	**100 000**	100 000	**51**	51					1
VirtuallyHR (Pty) Ltd	**120**	120	**51**	51					3
					658.4	658.4	**844.3**	826.4	

1 Independent provider of education.
2 Investment/property holding company.
3 Recruitment, placement and temporary staffing company.
4 Dormant company.

Results of subsidiaries so far as they concern members of the company: aggregate profit after taxation R468.3 million (Restated 2018: R396.1 million). All companies are incorporated in the Republic of South Africa except as indicated: (a) Mauritius (b) Botswana (c) Zambia (d) Kenya.

Refer to the consolidated annual financial statements for information relating to acquisitions of subsidiaries.

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 amounts of the loans receivable approximate their fair value.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 31 December 2019

	Audited 2019 R'm	Audited 2018 R'm
6. Trade and other receivables		
Other receivables	**39.2**	36.2

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 are recognised as "performing" under the internal credit rating and therefore the loss allowance is based on 12 month expected credit losses. As the underlying entities are profitable and generating sufficient cash to meet their obligations, which is expected to continue for the following 12 months, no loss allowance has been included.

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

7. Stated capital

Authorised

1 000 000 000 shares of no par value (2018: 1 000 000 000 shares of no par value)

	Number of shares 2019 'm	Audited Stated capital 2019 R'm	Number of shares 2018 'm	Audited Stated capital 2018 R'm
Issued				
Balance at 1 January	**546.6**	**1 514.0**	544.4	1 481.9
Shares issued	**2.2**	**25.1**	2.2	32.1
Balance at 31 December	**548.8**	**1 539.1**	546.6	1 514.0

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 2019 R'm	Audited 2018 R'm
8. Trade and other payables		
Trade payables and accruals	**1.8**	2.1

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

The directors consider that the carrying amount of trade payables approximates its 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.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 31 December 2019

		Audited 2019 R'm	Audited 2018 R'm
9.	**Financial instruments**		
9.1	**Categories of financial instruments**		
	Financial assets		
	Amortised cost		
	Loan to Share Incentive Trust	**15.3**	21.4
	Loans to subsidiaries	**844.3**	826.4
	Trade and other receivables	**39.2**	36.2
		898.8	884.0
	Financial liabilities		
	Amortised cost		
	Trade and other payables	**1.8**	2.1
	Shareholders for dividend and capital distribution	**2.3**	2.1
		4.1	4.2

Financial risk management objectives and policies

The company's principal financial instruments comprise various items such as other receivables, trade payables and related party loans that arise directly from operations. These items have been classified as financial instruments carried at amortised cost. The main purpose of these instruments is to finance the company's operations.

The support office function co-ordinates access to funds. The financial management function of the group monitors and manages the credit risk, liquidity risk and market risk (including interest rate risk, currency risk and other price risk). Refer to note 34 in the consolidated annual financial statements for the policies and procedures in place to manage these risks.

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 and reserves.

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

Liquidity risk

Maturity groupings are based on the remaining period at the reporting date to the contractual maturity set at the earliest date on which the company may be required to pay. The financial liability amounts disclosed are the contractual undiscounted cash flows. Both the trade and other payables as well as the shareholders for dividend and capital distribution, are due within less than 1 year. The loan to the Share Incentive Trust is expected to realise between 1 and 5 years whereas the loans to subsidiaries and other receivables are receivable in less than 1 year.

Credit risk

The company's credit risk is primarily attributable to its receivables from subsidiaries, inter-companies and the Share Incentive Trust. No loss allowance has been included for these related parties as the underlying entities are profitable and generating sufficient cash to meet their obligations. The loans receivable from The Independent Institute of Education (Pty) Ltd and ADvTECH Resource Holdings (Pty) Ltd both exceed 5% of total financial assets, refer to note 5 for details of these amounts.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 31 December 2019

9. Financial instruments *(continued)*

The tables below detail the credit quality of the company's financial assets and other items, as well as the company's maximum exposure to credit risk according to the credit risk rating framework:

Financial instrument	Note	Internal credit rating	12 month or lifetime expected credit losses (ECL)	Gross carrying amount	Loss allowance	Net carrying amount
31 December 2019						
Loan to Share Incentive Trust	25 (Consolidated annual financial statements)	Performing	12 month ECL	**15.3**	**–**	**15.3**
Loans to subsidiaries	5	Performing	12 month ECL	**844.3**	**–**	**844.3**
Trade and other receivables	6	Performing	12 month ECL	**39.2**	**–**	**39.2**
31 December 2018						
Loan to Share Incentive Trust	25 (Consolidated annual financial statements)	Performing	12 month ECL	21.4	–	21.4
Loans to subsidiaries	5	Performing	12 month ECL	826.4	–	826.4
Trade and other receivables	6	Performing	12 month ECL	36.2	–	36.2

Fair value measurements

The directors consider that the carrying amount of the financial assets and financial liabilities recognised in the financial statements approximate their fair values.

10. Contingent liabilities

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 loans and revolving credit facilities. These facilities are also secured by mortgage bonds over properties having a net book value of R2 431.3 million (2018: R2 145.3 million). As at 31 December 2019 the total amount of facilities utilised amounted to R2 650.0 million and overdrafts utilised amounted to R45.2 million as per notes 22, 27 and 28 of the consolidated annual financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 31 December 2019

	Note	Audited 2019 R'm	Audited 2018 R'm
11. Notes to the statement of cash flows			
11.1 Cash utilised in operations			
Profit before taxation		**150.0**	112.3
Adjust for non-cash items		**(150.0)**	(117.9)
Dividend received		**(150.0)**	(150.0)
Shares issued on settlement of contingent consideration		**–**	32.1
		–	(5.6)
Finance costs paid	3	**–**	0.3
		–	(5.3)
11.2 Movement in working capital			
Decrease in trade and other receivables and prepayments		**5.7**	30.5
Decrease in trade and other payables		**(0.3)**	(1.1)
Decrease in working capital		**5.4**	29.4
11.3 Taxation paid			
Balance at beginning of the year		**(1.7)**	(4.6)
Current charge	4	**(0.3)**	–
Taxation on equity item		**(1.0)**	(4.4)
Balance at end of the year		**0.9**	1.7
Cash amount paid		**(2.1)**	(7.3)
11.4 Dividends paid			
Balance at beginning of the year		**(1.3)**	(1.2)
Declared during the year		**(163.1)**	(183.2)
Balance at end of the year		**1.5**	1.3
Cash amount paid		**(162.9)**	(183.1)

12. Related party transactions

ADvTECH Limited performed certain administrative services for The Independent Institute of Education (Pty) Ltd and for ADvTECH Resourcing (Pty) Ltd for which management fees of R8.8 million (2018: R8.4 million) and R2.2 million (2018: R2.1 million) respectively were charged and paid, being an appropriate allocation of costs incurred by the relevant administrative departments.

Refer to note 36 of the consolidated annual financial statements for information regarding the directors' remuneration.

13. Events after the reporting period

Refer to note 40 of the consolidated annual financial statements for information relating to events after the reporting period.

SHAREHOLDERS' ANALYSIS

as at 31 December 2019

Range of shareholding	Number of shareholders	% of shareholders	Number of shares	% of total shares
1 to 10 000	7 012	84.6%	10 071 115	1.8%
10 001 to 100 000	862	10.4%	27 087 433	4.9%
100 001 to 1 000 000	320	3.9%	109 938 997	20.0%
more than 1 000 000	93	1.1%	401 669 431	73.3%
	8 287	**100.0%**	**548 766 976**	**100.0%**

To the best knowledge of the directors and after reasonable enquiry, as at 31 December 2019, the spread of shareholders was as follows:

Shareholder spread

Non-public	9	0.1%	14 886 774	2.7%
Directors (including prescribed officers and subsidiary directors)	8	0.1%	11 790 360	2.1%
ADvTECH Share Incentive Scheme	1	0.0%	3 096 414	0.6%
Public	8 278	99.9%	533 880 202	97.3%
Totals	**8 287**	**100.0%**	**548 766 976**	**100.0%**

Major shareholders (5% and more of the shares in issue)

	Shares held	
	Number	%
Coronation Fund Managers	110 307 227	20.1%
Visio Capital Management	56 169 786	10.2%
Public Investment Corporation	54 690 002	10.0%
Old Mutual Investment Group	32 773 384	6.0%

Share information

	2019	2018	2017	2016	2015
Closing price at period end (cents)	**1 080**	1 485	1 750	1 717	1 456
JSE market price high (cents)	**1 543**	1 782	2 075	1 810	1 482
JSE market price low (cents)	**1 000**	1 341	1 451	1 292	845
Total number of transactions on JSE	**71 443**	63 311	103 675	82 893	39 007
Total number of shares traded	**137 759 968**	136 787 992	237 816 712	252 534 798	171 532 921
Total value of shares traded (R)	**1 701 647 937**	2 143 467 835	4 250 477 901	3 796 373 545	1 966 962 284
Average price per share (cents)	**1 235**	1 567	1 773	1 525	1 115
Shares in issue*	**548 766 976**	546 612 919	544 368 530	544 368 530	530 759 317
Percentage volume traded to shares in issue	**25%**	25%	44%	46%	32%
PE ratio	**12.4**	20.0	25.3	24.2	29.0

* *Shares in issue per JSE as at 31 December 2019.*

SHAREHOLDERS' DIARY

	2020
Annual general meeting (AGM)	
Record date to receive notices	Friday, 15 April
Last date to trade to be eligible to participate and vote at the AGM	Tuesday, 19 May
Record date to be recorded as a shareholder	Friday, 22 May
Proxy forms to be received by 10h00	Tuesday, 26 May
AGM to be held at 10h00	Thursday, 28 May
Results of AGM published on SENS	Thursday, 28 May
Interim Results	
Interim results for the six months ended 30 June 2020	Monday, 31 August

Read more about shareholder engagement