



Condensed consolidated statement of profit or loss
for the six months ended 30 June 2017

R'm	Notes	Percentage increase	Unaudited 6 months to 30 June 2017	Unaudited 6 months to 30 June 2016	Audited 12 months to 31 December 2016
Revenue		22%	2 000.1	1 637.8	3 353.1
Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA)		17%	417.7	357.0	740.6
Operating profit before interest		17%	344.0	293.2	608.1
Net finance costs paid			(41.9)	(31.5)	(81.7)
Interest received			2.5	4.2	12.6
Finance costs			(44.4)	(35.7)	(94.3)
Profit before taxation		15%	302.1	261.7	526.4
Taxation			(88.7)	(73.0)	(148.5)
Profit for the period		13%	213.4	188.7	377.9
Profit for the period attributable to:					
Owners of the parent		9%	205.8	188.5	372.4
Non-controlling interests			7.6	0.2	5.5
			213.4	188.7	377.9
Earnings per share (cents)					
Basic		6%	38.5	36.3	70.9
Diluted		6%	38.4	36.2	70.8
Headline earnings	2	9%	205.9	189.6	373.5
Headline earnings per share (cents)					
Basic		6%	38.6	36.5	71.1
Diluted		5%	38.4	36.4	71.0
Normalised earnings	3	26%	208.8	165.4	350.1
Normalised earnings per share (cents)					
Basic		23%	39.1	31.9	66.7
Diluted		23%	39.0	31.8	66.6
Number of shares in issue (million)			544.4	530.8	544.4
Number of shares in issue net of treasury shares (million)			534.1	519.4	534.0
Weighted average number of shares for purposes of basic earnings per share (million)			534.0	519.3	525.2
Weighted average number of shares for purposes of diluted earnings per share (million)			536.0	520.9	525.7
Net asset value per share including treasury shares (cents)		15%	512.3	443.7	491.8
Net asset value per share net of treasury shares (cents)		15%	522.2	453.4	501.4
Free operating cash flow before capex per share (cents)*		28%	122.5	95.4	89.1
Gross dividends per share (cents)		11%	15.0	13.5	32.5

Condensed consolidated statement of other comprehensive income
for the six months ended 30 June 2017

R'm	Unaudited 6 months to 30 June 2017	Unaudited 6 months to 30 June 2016	Audited 12 months to 31 December 2016
Profit for the period	213.4	188.7	377.9
Other comprehensive income, net of income tax			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations	(0.8)	(1.7)	(6.3)
Total comprehensive income for the period	212.6	187.0	371.6
Total comprehensive income for the period attributable to:			
Owners of the parent	205.2	186.9	366.1
Non-controlling interests	7.4	0.1	5.5
	212.6	187.0	371.6

Condensed consolidated statement of changes in equity
for the six months ended 30 June 2017

R'm	Unaudited 6 months to 30 June 2017	Unaudited 6 months to 30 June 2016	Audited 12 months to 31 December 2016
Balance at beginning of the period	2 677.3	2 254.5	2 254.5
Total comprehensive income for the period	212.6	187.0	371.6
Dividends declared to shareholders	(104.2)	(90.3)	(164.7)
Share-based payment expense	4.2	2.8	5.8
Shares issued	–	–	190.7
Share issue costs	–	–	(1.5)
Share options exercised	–	1.0	8.0
Non-controlling interests arising on acquisition	(0.7)	–	12.9
Balance at end of the period	2 789.2	2 355.0	2 677.3

Condensed consolidated segmental report
for the six months ended 30 June 2017

R'm	Percentage increase	Unaudited 6 months to 30 June 2017	Unaudited 6 months to 30 June 2016	Audited 12 months to 31 December 2016
Revenue	22%	2 000.1	1 637.8	3 353.1
Schools	10%	903.8	822.3	1 643.7
Tertiary	33%	789.1	592.7	1 252.5
Resourcing	38%	308.9	224.1	460.9
Intra group revenue		(1.7)	(1.3)	(4.0)
Operating profit before interest	17%	344.0	293.2	608.1
Schools	5%	172.1	164.4	345.4
Tertiary	56%	156.9	100.3	223.3
Resourcing	111%	17.9	8.5	20.2
Litigation settlement		–	23.5	23.5
Corporate and facility initiation costs		(2.9)	(0.8)	(2.0)
Litigation		–	(2.7)	(2.3)
Property, plant and equipment and proprietary technology systems	15%	3 080.7	2 686.7	2 834.0
Schools	13%	2 367.2	2 089.4	2 193.6
Tertiary	20%	705.8	589.9	632.8
Resourcing	4%	7.7	7.4	7.6

Condensed consolidated statement of financial position
as at 30 June 2017

R'm	Unaudited 30 June 2017	Unaudited 30 June 2016	Audited 31 December 2016
Assets			
Non-current assets	4 508.4	3 981.0	4 222.7
Property, plant and equipment	3 038.5	2 637.0	2 788.7
Proprietary technology systems	42.2	49.7	45.3
Goodwill	1 209.9	1 085.3	1 170.1
Intangible assets	205.8	197.0	206.6
Investment	12.0	12.0	12.0
Current assets	551.4	533.8	422.7
Trade and other receivables	355.4	285.2	235.6
Other current assets	56.3	54.5	58.9
Bank balances and cash	139.7	194.1	128.2
Total assets	5 059.8	4 514.8	4 645.4
Equity and liabilities			
Equity	2 789.2	2 355.0	2 677.3
Non-current liabilities	770.8	813.2	852.1
Long-term bank loans	754.8	774.8	758.0
Deferred taxation liabilities	16.0	38.4	94.1
Current liabilities	1 499.8	1 346.6	1 116.0
Current portion of long-term bank loans	9.6	11.7	31.1
Short-term bank loan	220.0	315.0	425.0
Trade and other payables	370.4	345.8	339.9
Taxation	81.8	69.2	8.3
Fees received in advance and deposits	743.5	604.9	287.5
Bank overdraft	74.5	–	24.2
Total liabilities	2 270.6	2 159.8	1 968.1
Total equity and liabilities	5 059.8	4 514.8	4 645.4

Supplementary information
for the six months ended 30 June 2017

R'm	Unaudited 6 months to 30 June 2017	Unaudited 6 months to 30 June 2016	Audited 12 months to 31 December 2016
Capital expenditure – current period	245.7	153.6	361.9
Capital commitments	1 533.2	1 219.0	1 255.3
Authorised by directors and contracted for	332.9	236.8	144.3
Authorised by directors and not yet contracted for	1 200.3	982.2	1 111.0
Anticipated timing of spend	1 533.2	1 219.0	1 255.3
0 – 2 years	718.9	392.8	555.9
3 – 5 years	338.7	315.7	202.2
more than 5 years	475.6	510.5	497.2
Operating lease commitments in cash – future years	285.8	338.6	355.7

Condensed consolidated statement of cash flows
for the six months ended 30 June 2017

			Unaudited 6 months to 30 June 2017	Restated# Unaudited 6 months to 30 June 2016	Restated# Audited 12 months to 31 December 2016
R'm	Note	Percentage increase			
Cash generated from operations	4	21%	424.3	350.8	737.9
Movement in working capital			360.8	247.8	(40.4)
Cash generated by operating activities		31%	785.1	598.6	697.5
Net finance costs paid			(41.9)	(31.5)	(81.7)
Taxation paid			(97.1)	(74.9)	(160.0)
Dividends paid			(104.1)	(90.2)	(164.5)
Net cash inflow from operating activities			542.0	402.0	291.3
Net cash outflow from investing activities*			(350.7)	(153.2)	(441.0)
Additions to property, plant and equipment			(245.7)	(153.6)	(361.9)
Business combinations cash flows			(109.3)	–	(81.4)
Proceeds on disposal of property, plant and equipment			4.3	0.4	2.3
Net cash (outflow)/inflow from financing activities*			(229.7)	(230.7)	78.2
Movement in interest bearing debt			(229.7)	(231.7)	(119.0)
Cash movement in shares held by the Share Incentive Trust			–	1.0	8.0
Shares issued			–	–	189.2
Net (decrease)/increase in cash and cash equivalents			(38.4)	18.1	(71.5)
Cash and cash equivalents at beginning of the period			104.0	176.2	176.2
Net foreign exchange differences on cash and cash equivalents			(0.4)	(0.2)	(0.7)
Cash and cash equivalents at end of the period			65.2	194.1	104.0

* The financing and investing activities disclosure has been expanded in the current year. Comparative information has also been expanded.
The restatement of the comparative information is a result of reclassifying the vendor claims reversal from financing activities into operating activities.

Free operating cash flow before capex per share
for the six months ended 30 June 2017

			Unaudited 6 months to 30 June 2017	Restated# Unaudited 6 months to 30 June 2016	Restated# Audited 12 months to 31 December 2016
R'm		Percentage increase			
Profit for the period			213.4	188.7	377.9
Adjusted for non-cash IFRS and lease adjustments (after taxation)			5.9	3.6	6.5
Net operating profit after taxation – adjusted for non-cash IFRS and lease adjustments			219.3	192.3	384.4
Depreciation and amortisation			73.7	63.8	132.5
Vendor claims reversal (after taxation)			–	(9.5)	(9.5)
Other non-cash flow items (after taxation)			0.1	1.1	1.1
Operating cash flow after taxation	18%		293.1	247.7	508.5
Movement in working capital			360.8	247.8	(40.4)
Free operating cash flow before capex	32%		653.9	495.5	468.1
Weighted average number of shares for purposes of basic earnings per share (million)			534.0	519.3	525.2
Free operating cash flow before capex per share (cents)	28%		122.5	95.4	89.1

Notes to the condensed consolidated financial statements
for the six months ended 30 June 2017

1. Statement of compliance

The condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standard, IAS 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and the requirements of the Companies Act of South Africa. The accounting policies applied in the preparation of these interim financial statements are in terms of International Financial Reporting Standards and are consistent with those applied in the previous annual financial statements.

The preparation of the condensed consolidated interim financial results for the six months ended 30 June 2017 was supervised by Didier Oesch CA(SA), the group's financial director.

These interim results have not been audited or reviewed.

No financial instruments were required to be restated to fair value.

Post-balance sheet events

Subsequent to balance sheet date, the acquisitions of Summit College and Elkanah House have been finalised. Additionally, ADvTECH acquired an 80% interest in The Private Hotel School.

	Unaudited 6 months to 30 June 2017	Unaudited 6 months to 30 June 2016	Audited 12 months to 31 December 2016
R'm			
2. Determination of headline earnings			
Profit for the period attributable to owners of the parent	205.8	188.5	372.4
Items excluded from headline earnings per share	0.1	1.1	1.1
Loss on sale of property, plant and equipment	0.2	1.5	1.5
Taxation effects of adjustments	(0.1)	(0.4)	(0.4)
Headline earnings	205.9	189.6	373.5
3. Determination of normalised earnings			
Headline earnings	205.9	189.6	373.5
Items excluded from normalised earnings per share	2.9	(24.2)	(23.4)
Litigation costs	–	2.7	2.3
Corporate and facility initiation costs	2.9	0.8	2.0
Litigation settlement			
– Settlement received	–	(18.0)	(18.0)
– Reversal of provision for counterclaim	–	(5.5)	(5.5)
– Reversal of interest on provision for counterclaim	–	(5.5)	(5.5)
Taxation effects of adjustments	–	1.3	1.3
Normalised earnings	208.8	165.4	350.1

	Unaudited 6 months to 30 June 2017	Restated# Unaudited 6 months to 30 June 2016	Restated# Audited 12 months to 31 December 2016
R'm			
4. Note to the condensed statement of cash flows			
Reconciliation of profit before taxation to cash generated from operations			
Profit before taxation	302.1	261.7	526.4
Adjust for non-cash IFRS and other adjustments (before taxation)	6.4	3.3	6.8
	308.5	265.0	533.2
Adjust:	115.8	85.8	204.7
Depreciation and amortisation	73.7	63.8	132.5
Net finance costs paid	41.9	31.5	81.7
Vendor claims reversal	–	(11.0)	(11.0)
Other non-cash flow items	0.2	1.5	1.5
Cash generated from operations	424.3	350.8	737.9

	Unaudited 6 months to 30 June 2017
R'm	
5. Business combinations ¹	
5.1 University of Africa group ²	
A 51% interest in the University of Africa group was acquired on 1 January 2017 for a consideration of R5.6 million.	
Fair value assets and liabilities acquired	
Intangible assets	0.7
Goodwill	5.7
Property, plant and equipment	0.4
Other non-current assets	0.3
Current assets	2.1
Cash and cash equivalents	4.4
Non-current liabilities	(0.2)
Current liabilities	(8.5)
Non-controlling interest ³	0.7
	5.6
Revenue of R16.4 million and a loss after taxation of R0.6 million has been included in the condensed consolidated statement of profit or loss.	
This acquisition was made as an addition to our tertiary division in line with our expansion strategy and provides access to an African market.	
5.2 Glenwood House ²	
The assets and liabilities of the Glenwood House school were acquired on 1 January 2017 for a consideration of R108.1 million.	
Non-current assets acquired	
Intangible assets	7.2
Goodwill	34.1
Property, plant and equipment	70.3
Non-current liabilities acquired	
Non-current liabilities	(3.5)
	108.1
Revenue of R19.6 million and profit after taxation of R1.1 million has been included in the condensed consolidated statement of profit or loss.	
This acquisition was made as an addition to our schools division in line with our expansion strategy and provides further access to the Western Cape province.	

1 The consideration paid for the business combinations includes amounts which has been recognised as goodwill in relation to the benefit of expected synergies and expansion opportunities.
2 The accounting for these business combinations are still within the measurement period.
3 Measured at proportionate share of net asset value.

Commentary
Overview

The directors are pleased to announce good interim results for the period ending 30 June 2017 with the business continuing its trend of strong performance in line with its stated growth strategy. Both the tertiary and resourcing divisions performed exceptionally well, as evidenced by significant increases in revenue and operating profit, whilst the schools division results were somewhat muted. The strength and resilience of the group, through its diversified portfolio, has been well demonstrated with revenue increasing by 22% and trading operating profit by 28%, indicating continued operating margin improvement.

The condensed consolidated statement of profit or loss presented below, in which the benefit of the settlement of the long standing litigation matter is excluded for the comparative periods, reflects the excellent trading results.

Condensed consolidated statement of profit or loss from trading activities
for the six months ended 30 June 2017

		6 months to 30 June 2017	6 months to 30 June 2016	12 months to 31 December 2016
R'm	Percentage increase			
Revenue	22%	2 000.1	1 637.8	3 353.1
Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA)	25%	417.7	333.5	717.1
Operating profit before interest	28%	344.0	269.7	584.6
Net finance costs paid		(41.9)	(37.0)	(87.2)
Interest received		2.5	4.2	12.6
Finance costs		(44.4)	(41.2)	(99.8)
Profit before taxation	30%	302.1	232.7	497.4
Taxation		(88.7)	(71.5)	(147.0)
Profit for the period	32%	213.4	161.2	350.4

Net finance costs increased due to average net borrowings being marginally higher than in the comparative period. This was more than offset by a lower effective taxation rate, as permanent disallowable expenditure reduced as a percentage of taxable income, resulting in trading profit for the period increasing by 32% to R213 million. Due to the increased number of shares in issue, the normalised earnings per share increased by 23% to 39.1 cents (2016:31.9 cents).

Cash generated by operating activities increased by 31% to R785 million and enabled the payment of investments and capex of R351 million, net financing costs of R42 million, taxation of R97 million and dividends of R104 million. Free operating cash flow also grew by 32% to R654 million. The debtors' book continues to be well managed with a strong emphasis on collections while being mindful and understanding of the consumer in this challenging economic climate.

Schools division

The divisional revenue increased by 10% to R904 million, representing 45% of group revenue, while operating profit grew by 5% to R172 million.

The difficult economic climate and unsettled socio-political environment had a more significant effect on enrolment numbers than had been anticipated. We have seen a consistent rise in the number of families emigrating and this trend had a particularly negative effect on enrolled numbers as we lose students in grades where it is difficult to replace. In addition, we have seen an increase in withdrawals and exclusions as a result of financial pressures. Therefore, while actual new enrolments have been in line with expectations, net student numbers have been adversely affected by these two negative influences.

The impact of these factors, combined with the initial j-curve costs of our investments in greenfield and school expansions, suppressed profits.

Although we do not foresee short-term relief from the socio-economic uncertainty, we are confident we will see a return to higher levels of increase in profitability as growth projects and restructuring efforts deliver results. Our confidence is based on the following:

- 1. More students will be enrolled in additional classes at key entry points to offset the losses experienced in later grades.
- 2. Management and operational structures have been reorganised to drive greater focus on market activities and improved business efficiency.
- 3. The implementation of shared services and rationalisation of transactional processing will lower the cost base of the business.
- 4. The demand for ADvTECH Academies schools has been ahead of expectation and with new projects in the pipeline we expect to deliver good growth in this mid-fee sector.

The division consisted of 90 (2016:78) schools, across 47 campuses under the brands: Abbotts College, ADvTECH Academies, Centurus Colleges, CrawfordSchools™, Junior Colleges, Maravest Group and Trinityhouse.

Tertiary division

The tertiary division showed excellent growth with revenue up 33% to R789 million, contributing 39% to group revenue. The operating margin increased from 17% to 20% on the back of operational leverage from strong volume growth, resulting in operating profit increasing by 56% to R157 million.

The division’s brands have strong value propositions and are well positioned to effectively deliver value to their respective target markets. This, together with good operational structures and efficiencies in place has created a platform for robust growth within the division.

With our focus on expansion into new and growing market segments, The Private Hotel School has been acquired and will join Capsicum Culinary Studio to build our presence in the hotel and hospitality education sector.

We continue to explore new geographies, delivery channels and product formats in order to identify further growth opportunities. In 2018, Rosebank College will move to a mega campus in Durban and open two digitally enabled campuses in Bloemfontein and Pietermaritzburg.

The tertiary division consists of The Independent Institute of Education (IIE) which operates Varsity College, Rosebank College and Vega (including DSSA), Oxbridge Academy, Capsicum Culinary Studio, University of Africa (in Zambia) and the recently acquired The Private Hotel School in Stellenbosch. The division has a national urban footprint of 27 sites in South Africa and one in Zambia, totalling 28 sites.

Resourcing division

The resourcing division achieved strong growth, continuing the positive trend from the second half of 2016 into 2017. Revenue increased by 38% to R309 million, while operating profit increased by 111% to R18 million. The recently acquired CA Global group, which includes Africa HR Solutions and Contract Accountants, has shown strong growth with a significant amount of revenue generated outside South Africa. The South African business performed reasonably well considering the tough economic environment. This endorses our diversification strategy of exploring alternative markets and geographies. The division continues to be highly cash-generative and contributes positively to the group.

The resourcing brands are effectively positioned in their respective niche markets, delivering a sound performance as a result of well-focused management teams and lean operating structures. The division comprises permanent and temporary staffing solutions as well as recruitment advertising, e-Recruitment, payroll solutions and advertising response handling. Its portfolio of brands include Brent Personnel, Cassel & Company, CA Global, Africa HR Solutions, CA Financial Appointments, Communicate Recruitment, Insource.ICT/IT Edge, Network Recruitment, Tech-Pro Personnel and The Working Earth.

Declaration of interim dividend no 16

The board is pleased to announce the declaration of an interim gross dividend of 15.0 cents (2016:13.5 cents) per ordinary share in respect of the half year ended 30 June 2017.

This is a dividend as defined in the Income Tax Act, 1962, and is payable from income reserves. The South African dividend taxation (DT) rate is 20% (2016:15%). The net amount per share payable to shareholders who are not exempt from DT is 12.0 cents per share, while it is 15.0 cents per share to those shareholders who are exempt from DT.

There are 544 368 530 ordinary shares in issue; the total dividend amount payable is R82 million.

The salient dates and times applicable to the dividend referred to above are as follows:

	2017
Declaration date	Monday, 21 August
Last day to trade in order to participate in the dividend	Tuesday, 5 September
Trading commences ex-dividend	Wednesday, 6 September
Record date	Friday, 8 September
Payment date	Monday, 11 September

Share certificates may not be dematerialised between Wednesday, 6 September 2017 and Friday, 8 September 2017, both days inclusive.

Directorate

The board is pleased to announce the appointment of Ms Donna Dickson as group company secretary with effect from 22 June 2017.

Prospects

We continue to see numerous opportunities for growth, both at home and on the rest of the continent. In our core markets we expect organic and greenfield growth to continue despite the fact that competition has increased and challenging economic conditions remain.

In addition, we are pursuing opportunities available in new market segments and regions, which we believe will enhance our business performance and diversify our portfolio.

On behalf of the board

Chris Boule
Chairman

Roy Douglas
Chief executive officer

Didier Oesch
Group financial director

21 August 2017

Directors: CH Boule* (Chairman), RJ Douglas (CEO), JDR Oesch (Financial), JS Chimhanzi*, BM Gourley*, JM Hofmeyr*, JD Jansen*, SC Masie*, KDM Warburton*, SA Zinn*
*Non-executive
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