

ADvTECH LIMITED
(Registration number: 1990/001119/06)
GROUP AND COMPANY
AUDITED ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2020



Directors' responsibility for financial reporting

The Companies Act, No 71 of 2008 of South Africa, as amended ("the Companies Act"), requires that a company must keep and maintain adequate accounting records. The directors 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 2020, 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 separate 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 4 to 8.

The preparation of the group's consolidated financial statements for the year ended 31 December 2020 was supervised by JDR Oesch CA(SA), the group's chief financial officer.

The annual financial statements of the company and the group set out on pages 9 to 81, which have been prepared on the going concern basis, were approved by the board of directors on 18 March 2021 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 2020, ADvTECH Limited has lodged with the Commissioner of the Companies and Intellectual Property Commission all returns and notices prescribed by the Companies Act and that all such returns and notices are true, correct and up to date.

CB Crouse
Group company secretary

18 March 2021

Chief executive officer and Chief financial officer's responsibility statement

The directors, whose names are stated below, hereby confirm that:

- (a) the annual financial statements set out on pages 9 to 81, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;
- (b) no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
- (c) internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer; and
- (d) the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of King IV™. Where we are not satisfied, we have disclosed to the audit committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors, and have taken the necessary remedial action.

RJ Douglas
Chief executive officer

JDR Oesch
*Group commercial director and
chief financial officer*

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 16 to 81, which comprise the consolidated and separate statements of financial position as at 31 December 2020, 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 ABC Limited and its subsidiaries as at 31 December, 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 and Company in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code). 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 are no key audit matters relating to the separate financial statements.



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

A full list of partners and directors is available on request

* Partner and Registered Auditor

B-BBEE 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

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ADVTECH LIMITED (continued)**

Key Audit Matter	How the matter was addressed in the audit
<p>Valuation of loss allowance</p> <p>The Group reflected R609.2 million worth of trade receivables as at 31 December 2020 as disclosed in note 20 to the consolidated financial statements against which a loss allowance of R375.7 million has been recognised.</p> <p>The Group is required by the applicable accounting standards to determine and recognise an appropriate allowance based on future expected credit losses. Due to the nature of the Group's education operations, trade receivables are expected to be settled within the financial and academic year they arise and therefore trade receivables 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 estimation by the directors.</p> <p>In determining the allowance for doubtful debts, the director's valuation incorporates a number of key judgements and estimates including the ageing of the receivable, whether the student is still in attendance at an educational institution and the impact of COVID-19.</p> <p>Accordingly, the determination of the allowance for expected credit losses is considered to be a key audit matter.</p>	<p>Our audit procedures focused on the evaluation of the key judgements and estimates used in the directors' determination of the loss allowance. The procedures on key judgements and estimates included:</p> <ul style="list-style-type: none"> • 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 director's projections and the assumption that historical collections are a reasonable basis for determining future collections; • Consideration of the impact of the Covid-19 pandemic on the historical cash collection profile; • Analysis of the loss allowance 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 pupils compared to those who have left school within the schools division and the impact on the determination of the allowance for expected credit loss; • 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. <p>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.</p>

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ADVTECH LIMITED (continued)**

Key Audit Matter	How the matter was addressed in the audit
<p>Valuation of goodwill</p> <p>The goodwill recorded in the statement of financial position at 31 December 2020 is R1 452.4 million and comprises 19.0% of the total assets of the Group. These assets have been recognised in the consolidated statement of financial position because of the acquisitive nature of the Group.</p> <p>As required by the applicable accounting standards, the directors conduct annual impairment tests to assess the recoverability of the carrying value of goodwill. This is performed using discounted cash flow models.</p> <p>As disclosed in note 15, there are a number of key judgements made in determining the inputs into these models which include:</p> <ul style="list-style-type: none"> • Applied growth rates; • Terminal growth rates; • Pre-tax discount rates; and • Post-tax discount rates. <p>In line with the required accounting standards, the directors have performed a discounted cash flow valuation in order to determine the recoverable amount of the cash generating units.</p> <p>Due to the significance of this balance and the level of judgement involved, the valuation of goodwill is considered to be a key audit matter.</p>	<p>We focused our testing of the impairment of goodwill on the key assumptions made by the directors.</p> <p>Our audit procedures included:</p> <ul style="list-style-type: none"> • Engaging our internal specialists to assist with: – <ul style="list-style-type: none"> ○ Critically evaluating whether the model used by the directors to calculate the value in use of the individual cash generating units complies with the requirements of IAS 36 <i>Impairment of Assets</i> (IAS 36); ○ Performing an independent recalculation of the weighted average cost of capital; • Analysing the future projected cash flows used in the models to determine whether they are reasonable and supportable given the current macroeconomic climate and expected future performance of the cash generating units; and • Subjecting the key assumptions to sensitivity analyses. <p>We found that the assumptions used by the directors were reasonable and supportable.</p> <p>We consider the disclosure of the goodwill to be relevant and useful.</p>

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 2020", 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 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 and will 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 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

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ADVTECH LIMITED (continued)**

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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors⁶, 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 19 years.

Deloitte & Touche

Deloitte & Touche
Registered Auditor

Per: Haroon Loonat
Partner
23 March 2021

Deloitte
5 Magwa Crescent, Waterfall City, Waterfall, Johannesburg

Audit and risk committee (ARCom) report

ARCom is pleased to present this report, which was approved by the board and prepared in accordance with section 94(7) of the Companies Act, the Listing Requirements and King IV™ Code of Governance ("King Code").

In reviewing the committee's composition during the year, and owing to the size of the company, the board decided to combine the audit and risk committee, as detailed in the corporate governance report. The functions of the risk committee now falls within the ambit of this committee.

ARCom is satisfied that it has performed both the statutory requirements for an audit and risk 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

ARCom consists of four members, all of whom are independent non-executive directors and, as a whole, 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 but attends by invitation.

The board recommends that the following non-executive directors, who are current members of the committee, who are eligible and have made themselves available for re-election be re-elected by the shareholders at the annual general meeting (AGM) on 27 May 2021 to hold office until the following AGM:

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

Mr CB Thomson was appointed to the board and the committee with effect from 12 March 2021.

ARCom 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. Details of the number of meetings held and attendance by members are included in the corporate governance report.

ARCom'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

ARCom's duties and responsibilities are a combination of statutory and oversight duties to ensure the effectiveness of the internal and external assurance providers, risk management process, 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.

External audit

ARCom 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 ended 31 December 2020 in compliance with the Companies Act and the Listings Requirements;
- Deloitte & Touche have been the external auditors of the group for 19 years and H Loonat has been the designated auditor for the past five years. In terms of the audit firm rotation requirements, the committee had assessed a number of JSE approved audit firms against the qualifying criteria for ADVTECH and will recommend the appointment of Ernst & Young Incorporated (EY) as auditors for the 2021 financial year to shareholders, for approval at the next AGM;
- 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 fees to be paid to the auditors and set out the auditors' terms of engagement;
- 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 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 and risk committee (ARCom) report

(continued)

Internal Financial Control Attestation

ADvTECH continues to maintain a strong risk management culture and has implemented adequate and effective internal financial controls (IFCs) to ensure the integrity and reliability of the financial statements. These IFCs safeguard, verify and maintain accountability of ADvTECH's assets, are based on established policies and procedures and are implemented by trained and skilled personnel whose duties are duly segregated. Adherence with the implemented internal controls is monitored continuously by the ARCom.

The CEO and CFO have reviewed the controls over financial reporting, and presented their findings to the Audit Committee. During the current financial year management identified three significant deficiencies in internal control over financial reporting of the 40 controls evaluated throughout the year which address significant and high risk areas.

The CEO and CFOs evaluation of controls included:

- The identification and classification of risks including the determination of materiality.
- Testing the design and determining the implementation of controls addressing significant and high risk areas.
- Utilising internal audit to test the operating effectiveness of controls addressing high risk areas.
- Obtaining control declarations from divisional managers on the operating effectiveness of all controls on an annual basis.

A formal remediation plan has been developed to address control deficiencies identified including the three significant deficiencies. Two of the significant deficiencies were remediated by year-end and the remaining deficiency will be remediated by the interim reporting period. Continuous improvements in controls is an ongoing process and improvements and enhancements will be implemented in stages throughout the coming year.

The committee considered the identified deficiencies as well as the appropriateness of management's response including remediation, reliance on compensating controls and additional review procedures. As a result, the committee noted the CEO and CFO final attestation and concluded that ADvTECH's internal financial controls can be relied upon as a reasonable basis for the preparation of the annual financial statements.

Integrated annual report 2020

ARCom will evaluate the integrated annual report for the year ended 31 December 2020 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 Code, IFRS and the Listings Requirements.

Internal audit

The group's internal audit department has a specific mandate from the 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 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 committee and updated annually, covers all major risk areas as identified and assessed by internal audit and the group's risk management process. This ensures that the audit coverage is focused on and identifies areas of high risk.

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

Accounting and auditing

The directors are responsible for ensuring that 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 requirements of the Companies Act and IFRS.

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, executive leadership committees and committees of the board.

The external and internal auditors have unrestricted access to the committee to ensure that their independence is in no way impaired. At least once annually (but generally prior to every meeting), the 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 chief financial officer (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 year-end financial statements (and press announcements) and recommended them for adoption by the board;
- approved the internal audit terms of reference and audit plans;
- received and reviewed reports from internal auditors, which included commentary on the effectiveness of the internal control environment, systems and processes and, where appropriate, made recommendations to the board;
- received and reviewed S22 letter from Deloitte & Touche, and were satisfied with reappointing them for the year ended 31 December 2020.
- reviewed and considered the key audit matters as identified by the external auditors and was satisfied with the treatment of those matters in the financial statements;



Audit and risk committee (ARCom) report

(continued)

- reviewed the independence of the external auditors, Deloitte & Touche;
- recommend the appointment of EY as auditors for the 2021 financial year;
- reviewed the external auditor's report;
- 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;
- reviewed the effectiveness of the group's assurance processes with particular focus on combined assurance arrangements including the external assurance audit, internal audit and the finance function; 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.

Risk functions

ARCom oversees the following risk functions:

- monitor and oversee the group's risk register, including the IT risk register and Rest of Africa risk register;
- monitor and assess the material risks as well as ensure the risk mitigation strategies are timeously actioned;
- oversee the development and annual review of policy and work plan for risk management for recommendation for approval by the board;
- make recommendations to the board concerning the levels of tolerance and risk appetite, and monitoring of risks to ensure these are managed within the levels of tolerance and appetite as approved by the board;
- monitor the regulatory environment as well as the macro-economic environment;
- evaluation of the effectiveness of the risk management process; and
- ensure the group remains operationally and financially resilient during and after the COVID-19 pandemic.

On behalf of the audit and risk committee

KDM Warburton

Chairman: Audit and risk committee

17 March 2021

Directors' report

for the year ended 31 December 2020

Your directors have pleasure in presenting their report on the activities of the group and company for the year ended 31 December 2020.

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 via face-to-face and online learning and the tertiary division offers quality education on diploma, degree and postgraduate levels via face-to-face, online 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 2020 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 2019	548 766 976
Number of shares in issue at 31 December 2020	551 783 426

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.

Declaration of final dividend no. 21

Having reviewed the manner in which the business coped thus far with the circumstances created by the pandemic together with the strong cash generation, sound balance sheet and satisfactory enrolments for 2021 the board has decided to resume the payment of dividends.

The board is pleased to announce the declaration of a final gross dividend of 20.0 cents (2019: no dividend) per ordinary share in respect of the year ended 31 December 2020. This brings the full year dividend to 20.0 cents (2019: 15.0 cents) per share.

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%. The net amount per share payable to shareholders who are not exempt from DT is 16.0 cents per share, while it is 20.0 cents per share to those shareholders who are exempt from DT.

Events after the reporting period

The COVID-19 pandemic is ongoing and has resulted in the delay of the academic year. The commencement of face to face teaching at schools was delayed to 1 February 2021 as a result of

COVID-19 government restrictions. The group's schools were able to continue teaching online up to that date and have since commenced with face to face teaching. The tertiary institutions have commenced tuition during March 2021 using a staggered approach. The group is able to transition between face to face and online learning seamlessly and is not expected to be adversely affected from any future lockdowns as a result of the pandemic.

The Minister of finance announced an intention to reduce the corporate tax rate to 27% as well as the review of various tax incentives and allowances. This is expected to be effective for financial years beginning after April 2022 and will affect the group from the 2023 financial year. This is considered a non-adjusting post balance sheet event and the group will monitor the legislative changes in this regard.

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 2020 or the financial position at that date.

Response to COVID-19

Our response to the pandemic has been well-managed across all sites within ADvTECH and we are able to manage regulatory requirements and health protocols under different levels of lockdown. While the future remains uncertain, our business remains sustainable, well positioned and we are confident that we will navigate through this period, responding efficiently and effectively to any changes in the environment.

Our strict adherence to protocols has enabled all sites to operate and keep the number of positive COVID-19 cases to less than 0.2%. We had no workplace transmissions recorded to date. However, one of our employees unfortunately passed away during the December holidays.

A more detailed overview of our rapid response to COVID-19 can be found in the annual integrated report.

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 28 May 2020:

- non-executive directors' fees for the period 1 July 2020 to 30 June 2021;

- 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. SA Zinn being eligible, has offered herself for re-election. J Zimmermann will retire by rotation but has not offered himself for re-election. 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 but has not offered herself for re-election.

Mr CB Thomson was appointed to the board with effect from 12 March 2021.

Interests of directors and prescribed officers

As at 31 December 2020, the directors' and prescribed officers' beneficial and non-beneficial, direct and indirect interests in the issued share capital of the company were 2% (2019: 2%) in aggregate.

The interests of directors and prescribed officers are as follows:

	Beneficial				Non-beneficial			
	Direct		Indirect		Direct		Indirect	
	2020	2019	2020	2019	2020	2019	2020	2019
Directors								
CH Boulle	3 549	3 549	-	-	-	-	-	-
JS Chimhanzi	-	-	-	-	-	-	-	-
RJ Douglas	522 360	445 278	-	-	-	-	-	-
J Hofmeyr	-	-	-	-	-	-	-	-
JDR Oesch	2 154 319	2 010 562	-	-	-	-	56 312	37 312
KDM Warburton	-	-	-	-	-	-	-	-
J Zimmermann	-	-	-	-	-	-	-	-
SA Zinn	-	-	-	-	-	-	-	-
Prescribed officers								
MD Aitken	51 072	10 900	-	-	-	-	-	-
FJ Coughlan	137 582	139 595	-	-	-	-	4 000	4 000
DL Honey	7 478 545	7 652 444	-	-	-	-	441 159	441 159
Totals	10 347 427	10 262 328	-	-	-	-	501 471	482 471

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 2020.

Acquisitions and disposals

During the year under review, the group acquired additional shares in Schole Mauritius (14%), The Private Hotel School (20%) and Africa HR (5%). The group also disposed of the University of Africa group (UoA).

These acquisitions are in line with the published expansion programme. Further details on these acquisitions are detailed in note 37 of the annual financial statements.

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 2020 audit is the fifth audit under the management of H Loonat, the lead independent external auditor.

In anticipation of the audit firm rotation requirements, the audit and risk committee has nominated Ernst & Young Incorporated for appointment as auditors of the group and, at the AGM, shareholders will be requested to appoint them as the independent external auditors of the company and its subsidiaries for the 2021 financial year, and to confirm C Trollope as the lead independent external auditor.

Company secretary

KN Piki was appointed company secretary on 24 March 2020. She subsequently resigned with effect from 31 December 2020. CB Crouse has been appointed as the company secretary with effect from 1 January 2021. 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 2020**

	Notes	Audited 2020 R'm	Audited 2019 R'm
Revenue	4	5 499.2	5 108.0
Placement cost of sales		(645.4)	(470.4)
Staff costs	5	(2 259.6)	(2 240.0)
Rent and occupancy costs		(273.4)	(241.4)
Increase in expected credit losses*		(76.1)	(34.3)
Share of profit from joint arrangement*		0.4	1.4
Other operating expenses*		(989.2)	(949.7)
Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA)		1 255.9	1 173.6
Depreciation and amortisation	5	(346.4)	(304.5)
Operating profit before interest and non-trading items		909.5	869.1
Non-trading items		(30.2)	13.5
Corporate action costs		(0.5)	(3.9)
Impairment of property, plant and equipment	12	(11.1)	-
Impairment of intangible assets	16	(24.9)	-
Loss on disposal of subsidiaries	37	(6.7)	-
Gain on settlement of contingent consideration		13.0	-
Foreign currency gain arising on corporate action		-	6.2
Gain on bargain purchase of acquisition		-	6.1
Insurance proceeds (net of costs) on previously reported fraud event		-	5.1
Operating profit before interest	5	879.3	882.6
Net finance costs		(204.8)	(221.8)
Interest earned	6.1	2.3	5.2
Finance costs incurred	6.2	(146.5)	(167.4)
Finance costs on lease liabilities	6.3	(60.6)	(59.6)
Profit before taxation		674.5	660.8
Taxation	7	(209.0)	(192.5)
Profit for the year		465.5	468.3
Profit for the year attributable to:			
Owners of the parent		461.1	469.4
Non-controlling interests		4.4	(1.1)
		465.5	468.3
Earnings per share			
Basic (cents)	8	85.1	87.1
Diluted (cents)	8	85.1	87.1

* The increase in expected credit losses and the share of profit from joint arrangement are presented on the face of the statement of profit or loss. This is for disclosure comparability and enhancement purposes. Operating expenses was re-presented in the prior year as a result.

**Consolidated statement of other comprehensive income
for the year ended 31 December 2020**

	Audited 2020 R'm	Audited 2019 R'm
Profit for the year	465.5	468.3
Other comprehensive income, net of income taxation		
Items that may be reclassified subsequently to profit or loss		
Exchange loss on translating foreign operations	(15.1)	(18.5)
Total comprehensive income for the year	450.4	449.8
Total comprehensive income for the year attributable to:		
Owners of the parent	445.8	451.1
Non-controlling interests	4.6	(1.3)
	450.4	449.8

Consolidated statement of changes in equity
for the year ended 31 December 2020

	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 2019		1 514.0	16.8	51.8	(21.4)	1 535.3	27.2	3 123.7
Balance at 1 January 2019		1 514.0	16.8	51.8	(21.4)	1 583.5	27.2	3 171.9
Adjustment to opening balance (IFRS 16)						(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	11					(163.1)	(7.8)	(170.9)
Share-based payment expense	5,24		2.7					2.7
Share award expense under the management share incentive scheme (MSI)	5,25		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)	23	25.1	(25.1)					-
Share issue costs	23	(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
Total comprehensive income for the year				(15.1)		461.1	4.4	450.4
Profit for the year						461.1	4.4	465.5
Other comprehensive income for the year				(15.1)				(15.1)
Dividends declared to shareholders	11						(3.8)	(3.8)
Share-based payment expense	5,24		1.8					1.8
Share award expense under the management share incentive scheme (MSI)	5,25		17.1					17.1
Shares awarded under the management share incentive scheme (MSI)			(3.3)		3.3			-
Taxation effect of shares awarded under the management share incentive scheme (MSI)			(0.4)					(0.4)
Shares issued for the management share incentive scheme (MSI)	23	27.3	(27.3)					-
Non-controlling interest on disposal of subsidiaries							3.4	3.4
Acquisition of additional shares in subsidiaries						(26.2)	5.2	(21.0)
Balance at 31 December 2020		1 566.3	(8.7)	18.2	(12.0)	2 274.9	29.1	3 867.8

Consolidated statement of financial position
as at 31 December 2020

	Notes	Audited 2020 R'm	Audited 2019 R'm
Assets			
Non-current assets			
Property, plant and equipment	12	4 854.9	4 803.1
Proprietary technology systems	13	106.5	80.9
Right-of-use assets	14	442.9	384.2
Goodwill	15	1 452.4	1 459.9
Intangible assets	16	162.2	197.1
Deferred taxation assets	17	53.9	40.5
Investment in joint arrangement	18	8.0	7.6
		7 080.8	6 973.3
Current assets			
Inventories	19	17.4	22.5
Trade and other receivables	20	270.3	326.2
Taxation		7.0	39.0
Prepayments		34.7	44.7
Bank balances and cash	21	181.7	170.5
		511.1	602.9
Non-current assets held for sale	22	48.8	67.8
Total assets		7 640.7	7 644.0
Equity and liabilities			
Capital and reserves			
Stated capital	23	1 566.3	1 539.0
Shares held by the Share Incentive Trust	24	(12.0)	(15.3)
Net stated capital		1 554.3	1 523.7
Share incentive reserve		(8.7)	3.4
Foreign currency translation reserve		18.2	33.3
Retained earnings		2 274.9	1 840.0
Equity attributable to owners of the parent		3 838.7	3 400.4
Non-controlling interests		29.1	19.9
Total equity		3 867.8	3 420.3
Non-current liabilities			
Long-term bank loans	26	1 200.0	1 800.0
Deferred taxation liabilities	17	152.6	170.9
Lease liabilities	31	427.2	369.2
Acquisition liabilities	29	50.1	74.4
		1 829.9	2 414.5
Current liabilities			
Current portion of long-term bank loan	26	600.0	-
Short-term bank loans	27	441.2	880.1
Current portion of lease liabilities	31	137.8	116.3
Trade and other payables	28	447.1	436.5
Current portion of acquisition liabilities	29	3.8	-
Fees received in advance and deposits	30	310.8	328.8
Shareholders for capital distribution		0.8	0.8
Shareholders for dividend		1.5	1.5
Bank overdraft	21	-	45.2
		1 943.0	1 809.2
Total equity and liabilities		7 640.7	7 644.0

Consolidated statement of cash flows
for the year ended 31 December 2020

	Notes	Audited 2020 R'm	Audited 2019 R'm
Cash flows from operating activities			
Cash generated from operations	34.1	1 264.5	1 192.1
Movement in working capital	34.2	48.0	(108.5)
Cash generated by operating activities		1 312.5	1 083.6
Net finance costs		(201.1)	(234.3)
- interest received		2.3	5.2
- finance costs paid		(137.9)	(157.9)
- finance costs on lease liabilities		(60.6)	(59.6)
- borrowing costs capitalised to assets		(4.9)	(22.0)
Taxation paid	34.3	(212.5)	(223.8)
Dividends paid	34.4	(3.8)	(170.7)
Net cash inflow from operating activities		895.1	454.8
Cash flows from investing activities			
Additions to property, plant and equipment			
- to maintain operations	34.5	(95.0)	(142.2)
- to expand operations	34.6	(172.0)	(518.0)
Additions to proprietary technology systems		(36.5)	(20.5)
Business combinations cash flows	34.7	-	(320.0)
Proceeds on disposal of property, plant and equipment		29.4	2.1
Proceeds on disposal of subsidiaries		0.3	-
Net cash outflow from investing activities		(273.8)	(998.6)
Cash flows from financing activities			
Increase in non-current bank loans		-	300.0
Settlement of current bank loans		(848.9)	(595.7)
Drawdowns of current bank loans		410.0	880.1
Repayment of lease liabilities		(97.9)	(96.9)
Cash received on exercise of share options		-	2.4
Acquisition of additional shares in subsidiaries		(21.0)	-
Settlement of contingent consideration		(9.1)	-
Net cash (outflow)/inflow from financing activities		(566.9)	489.9
Net increase/(decrease) in cash and cash equivalents		54.4	(53.9)
Cash and cash equivalents (net of bank overdraft) at beginning of the year		125.3	180.5
Net foreign exchange difference on cash and cash equivalents		2.0	(1.3)
Cash and cash equivalents (net of bank overdraft) at end of the year	21	181.7	125.3

**Consolidated segmental report
for the year ended 31 December 2020**

	Percentage increase/ (decrease)	Audited 2020 R'm	Audited 2019 R'm
Revenue	8%	5 499.2	5 108.0
Schools	4%	2 311.2	2 226.4
- South Africa	5%	2 114.3	2 022.2
- Rest of Africa	-4%	196.9	204.2
Tertiary	9%	2 343.6	2 145.3
Resourcing	15%	848.2	740.7
- South Africa	-30%	183.0	262.6
- Rest of Africa	39%	665.2	478.1
Intra group revenue		(3.8)	(4.4)
Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA)	7%	1 255.9	1 173.6
Schools	11%	566.6	511.6
- South Africa	10%	558.5	508.8
- Rest of Africa	189%	8.1	2.8
Tertiary	9%	671.1	613.4
Resourcing	-63%	18.2	48.6
- South Africa		(5.8)	31.3
- Rest of Africa	39%	24.0	17.3
Depreciation and amortisation	14%	346.4	304.5
Schools	19%	198.3	167.3
- South Africa	19%	179.9	151.3
- Rest of Africa	15%	18.4	16.0
Tertiary	12%	132.6	117.9
Resourcing		15.5	19.3
- South Africa	-25%	12.9	17.1
- Rest of Africa	18%	2.6	2.2
Operating profit before interest and non-trading items	5%	909.5	869.1
Schools	7%	368.3	344.3
- South Africa	6%	378.6	357.5
- Rest of Africa		(10.3)	(13.2)
Tertiary	9%	538.5	495.5
Resourcing	-91%	2.7	29.3
- South Africa		(18.7)	14.2
- Rest of Africa	42%	21.4	15.1
Property, plant and equipment, proprietary technology systems, right-of-use assets and non-current assets held for sale	2%	5 453.1	5 336.0
Schools	1%	3 798.4	3 771.6
- South Africa	1%	3 387.2	3 345.4
- Rest of Africa	-4%	411.2	426.2
Tertiary	6%	1 633.8	1 545.9
Resourcing	13%	20.9	18.5
- South Africa	29%	17.7	13.7
- Rest of Africa	-33%	3.2	4.8
Current assets		511.1	602.9
Schools	-24%	287.7	376.8
- South Africa	-22%	198.0	254.0
- Rest of Africa	-27%	89.7	122.8
Tertiary	-18%	119.6	145.5
Resourcing	29%	103.8	80.6
- South Africa	7%	38.5	36.1
- Rest of Africa	47%	65.3	44.5
Total liabilities		3 772.9	4 223.7
Schools	-12%	2 721.6	3 096.2
- South Africa	-13%	2 356.8	2 723.0
- Rest of Africa	-2%	364.8	373.2
Tertiary	-6%	991.3	1 055.6
Resourcing	-17%	60.0	71.9
- South Africa	-33%	37.3	55.7
- Rest of Africa	40%	22.7	16.2
Capital expenditure	-56%	308.4	704.6
Schools	-59%	194.2	473.2
- South Africa	-60%	173.8	430.6
- Rest of Africa	-52%	20.4	42.6
Tertiary	-51%	111.1	226.8
Resourcing	-33%	3.1	4.6
- South Africa	-15%	2.3	2.7
- Rest of Africa	-58%	0.8	1.9

The resourcing division has been split into two categories of disclosure in line with the categories utilised by the chief operation decision maker. The chief operating decision maker is the leadership committee (which comprises executive management and the key decision makers of each division) of the group and the above categories are reported to them on a monthly basis.

1. General information

ADvTECH Limited is a limited company incorporated in South Africa.

The principal business activities are the provision of education, training and staff placement in South Africa and other African countries.

2. Adoption of new and revised standards

During the current year, the group adopted the following amendments to standards which are effective for annual reporting periods beginning on or after 1 January 2020:

- IFRS 3: *Business Combinations* (Definition of business);
- IFRS 7: *Financial Instruments: Disclosures*, IFRS 9: *Financial Instruments* and IAS 39: *Financial Instruments Recognition and Measurement* (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);
- IFRS 16: *Leases (early adoption)*: (COVID-19 related rent concessions: Amendment providing lessees with an exemption from assessing whether a COVID-19-related rent concession (a rent concession that reduces lease payments due on or before 30 June 2021) is a lease modification);
- 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.); and
- 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).

These amendments to standards, which became effective in the period ended 31 December 2020 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.

The principal accounting policies adopted are set out below. Except as noted in note 2, 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 has been attributed to the Rest of Africa segments for both schools and resourcing.

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.

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

3.4 Basis of consolidation (continued)

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. 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

3.6 Goodwill (continued)

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 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 Revenue recognition (continued)

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.

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 as result of an extension, termination or purchase option in the lease;
- 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.

3.9 Leases (continued)

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.

Rental concessions received as a result of the COVID-19 pandemic were recognised in the statement of comprehensive income in line with the practical expedient allowed in the amendment to IFRS 16.

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.

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.

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, which 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

3.14 Taxation (continued)

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.

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 legal and other corporate actions costs, the gain on settlement of contingent consideration and the write-off of deferred taxation assets in certain subsidiaries) 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 are a combination of the adjustments made for headline and normalised earnings.

3.15 Earnings per share (continued)

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.

3.16 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 buildings 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 buildings and proprietary technology systems, 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 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 primarily 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.

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 Financial instruments (continued)

3.21.1 Financial assets (continued)

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 3.21.1.7). 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 Financial instruments (continued)

3.21.1 Financial assets (continued)

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 5 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 as described in note 21.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 months 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 ECL
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; or - 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

3.21 Financial instruments (continued)

3.21.1 Financial assets (continued)

3.21.1.4 Impairment of financial assets (continued)

Trade receivables: Resourcing		
Performing & overdue	The counterparty has a low risk of default. Amounts could be greater than 30 days but default is not expected.	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

The group considers the credit risk on a financial asset to increase prior to the aging reaching 90 days and, hence, the 90 day presumption is not applicable.

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.

3.21 Financial instruments (continued)

3.21.1 Financial assets (continued)

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.

3.21.1.9 Measurement and recognition of ECL

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.

3.21 Financial instruments (continued)

3.21.1 Financial assets (continued)

3.21.1.9 Measurement and recognition of ECL (continued)

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 months 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 Financial instruments (continued)

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.

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

3.21 Financial instruments (continued)

3.21.2 Financial liabilities and equity instruments (continued)

3.21.2.3a Financial liabilities subsequently measured at amortised cost (continued)

discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

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 5 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 as disclosed in note 21. 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.

3.22 Critical accounting judgements and key sources of estimation uncertainty (continued)

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 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	<i>Business Combinations</i> : Reference to the Conceptual Framework. The amendment updates a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.	Annual period beginning on or after 1 January 2022
IFRS 7 IFRS 9 IAS 39	Interest Rate Benchmark Reform Phase 2: The amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 amend requirements relating to changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities, hedge accounting and disclosures.	Annual period beginning on or after 1 January 2021
IFRS 9	<i>Financial Instruments</i> : Annual Improvements to IFRS Standards 2018–2020: The amendment clarifies which fees an entity includes when it applies the ‘10 per cent’ test in assessing whether to derecognise a financial liability.	Annual period beginning on or after 1 January 2022
IAS 1	<i>Presentation of Financial Statements</i> : Classification of liabilities as current or non-current: narrow-scope amendments to IAS 1 to clarify how to classify debt and other liabilities as current or non-current.	Annual period beginning on or after 1 January 2023
IAS 16	<i>Property, Plant and Equipment</i> : Proceeds before intended use: The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items in profit or loss.	Annual period beginning on or after 1 January 2022
IAS 37	<i>Provisions, Contingent Liabilities and Contingent Assets</i> : Onerous contracts. The amendments specify which costs should be included in an entity’s assessment whether a contract will be loss-making.	Annual period beginning on or after 1 January 2022

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 continued
for the year ended 31 December 2020**

	Audited 2020 R'm	Audited 2019 R'm
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4. 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	4 654.8	4 371.7
Tuition - Schools	2 406.8	2 266.2
Tuition - Tertiary	2 360.9	2 148.5
Bursaries and discounts	(223.1)	(197.6)
Net tuition fees	4 544.6	4 217.1
Boarding fees	18.8	33.3
Enrolment and application fees	57.8	57.1
Extramural activities and aftercare	30.1	57.8
Education material and uniforms	3.5	6.4
Placement fees	848.2	740.7
Intra group revenue	(3.8)	(4.4)
	5 499.2	5 108.0

Timing of revenue recognition

Over time

Net tuition fees, boarding fees, enrolment and application fees and extramural activities and aftercare	4 651.3	4 365.3
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At a point in time

Educational material and uniforms, placement fees and intra group revenue	847.9	742.7
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Total	5 499.2	5 108.0
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Notes to the consolidated financial statements continued
for the year ended 31 December 2020

		Audited 2020 R'm	Audited 2019 R'm
	Notes		

5. Operating profit before interest

Operating profit before interest is stated after taking the following into account:

Auditors' remuneration		16.1	14.1
- Current year audit fee		15.1	13.2
- Prior year under provision		0.7	0.2
- Other services		0.3	0.7
Amortisation		24.4	26.7
- Proprietary technology systems	13	14.0	14.0
- Intangible assets	16	10.4	12.7
Depreciation - property, plant and equipment	12	193.1	174.3
- Land and buildings		24.1	14.8
- Computer equipment		71.3	69.8
- Computer software		4.3	4.1
- Furniture, fittings and equipment		50.4	42.4
- Motor vehicles		8.2	7.6
- Video equipment		3.6	1.8
- Leasehold improvements		31.2	33.8
Depreciation - right-of-use assets	14	128.9	103.5
Total depreciation and amortisation		346.4	304.5
Foreign exchange gains		(5.1)	(6.4)
Foreign exchange losses		1.6	3.9
Lease charges		65.0	65.9
- Expense related to short term leases		42.0	41.0
- Savings as a result of rent concessions received		(1.7)	-
- Expense relating to variable lease payments not included in the measurement of lease liabilities		21.2	20.8
- Expense related to low value assets		3.5	4.1
Professional fees		30.4	43.3
Net loss on disposal of property, plant and equipment		-	0.5
(Profit)/loss on disposal of property, plant and equipment		(1.4)	0.5
Loss on disposal of property, plant and equipment reclassified to loss on disposal of subsidiaries		1.4	-
Loss on disposal of subsidiaries	37	6.7	-
Gain on settlement of contingent consideration		(13.0)	-
Directors' emoluments		15.2	15.2
- For services as directors	35	4.2	4.8
- VAT on non-executive director fees	35	0.3	0.3
- For managerial and other services	35	10.7	10.1
Pension and provident fund contributions		150.4	134.4
Share-based payment expense	24	1.8	2.7
Management share incentive scheme expense (MSI)	25	17.1	13.6
Staff costs		2 075.1	2 074.1
Total staff costs		2 259.6	2 240.0
Number of staff (at year-end)		7 853	7 876
Number of staff covered by retirement plans (at year-end)		4 939	4 960

6. Net finance costs

6.1 Interest earned

Call accounts		1.7	2.7
Current accounts		0.2	2.5
South African Revenue Service and other revenue authorities		0.4	-
		2.3	5.2

6.2 Finance costs incurred

Bank loans		(135.4)	(158.0)
Bank loans facility fees		(2.6)	(2.5)
Bank overdrafts		(1.1)	(1.9)
South African Revenue Service and other revenue authorities		(2.1)	(0.4)
Other		(5.3)	(4.6)
		(146.5)	(167.4)

6.3 Finance costs on lease liabilities

Finance costs on lease liabilities	31	(60.6)	(59.6)
Net finance costs		(204.8)	(221.8)

**Notes to the consolidated financial statements continued
for the year ended 31 December 2020**

		Audited 2020 R'm	Audited 2019 R'm
	Note		

7. Taxation

7.1 Taxation expense comprises

Current taxation - current year		240.3	210.1
- prior year over provision		(0.5)	(9.5)
Deferred taxation - current year	17	(41.0)	(23.2)
- assessed losses written off	17	4.8	-
- prior year under provision	17	5.4	15.1
Total taxation expense		209.0	192.5

Estimated taxation losses for the group carried forward at year-end were R296.4 million (2019: R274.0 million). A rand equivalent amount of R234.2 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 were raised where it is probable that sufficient taxable profits will be available in future to utilise the taxation losses.

Deferred taxation assets relating to taxation losses to the value of R6.5 million (2019: R4.1 million) have not been raised in the group.

7.2 Reconciliation of taxation

Profit before taxation		674.5	660.8
Taxation at 28%		188.9	185.0
Foreign taxation effect		(6.4)	(9.3)
Taxation at effective normal tax rate of 27% (2019: 27%)		182.5	175.7
Permanent differences		16.8	11.2
Disallowable expenditure - depreciation on buildings and amortisation of leasehold improvements		12.0	10.0
- loss on disposal of subsidiary		1.9	-
- legal, consulting and other		3.6	2.8
- foreign entities		2.0	0.1
Exempt income		(2.7)	(1.7)
Current taxation - prior year over provision		(0.5)	(9.5)
Deferred taxation - assessed losses written off		4.8	-
Deferred taxation - prior year under provision		5.4	15.1
Taxation expense recognised in profit		209.0	192.5
Effective taxation rate		31.0%	29.1%

The majority of the exempt income relates to the gain on settlement of contingent consideration (2019: gain on bargain purchase on the acquisition of IIE MSA).

Notes to the consolidated financial statements continued
for the year ended 31 December 2020

	Audited 2020 R'm	Audited 2019 R'm
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8. 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)	549.0	546.6
Less: Weighted average number of shares held by the Share Incentive Trust and under the MSI ('m)	(7.4)	(7.6)
Weighted average number of shares for purposes of basic earnings per share ('m)	541.6	539.0
Dilutive effect of share options ('m)	-	-
Weighted average number of shares for purposes of diluted earnings per share ('m)	541.6	539.0

There are 1 757 621 (2019:476 712) share options that are potentially dilutive but did not have an effect in the current year as the exercise price exceeded the market price.

Earnings

Earnings for the purpose of basic and diluted earnings per share	461.1	469.4
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Earnings per share

Basic (cents)	85.1	87.1
Diluted (cents)	85.1	87.1

	Audited 2020 R'm		Audited 2019 R'm	
	Gross	Net	Gross	Net

9. Headline earnings per share

Earnings

Earnings for the purpose of basic and diluted earnings per share		461.1		469.4
Items excluded from headline earnings per share	41.3	33.0	(5.6)	(5.7)
(Profit)/loss on disposal of property, plant and equipment	(1.4)	(1.0)	0.5	0.4
Loss on disposal of subsidiaries	6.7	6.7	-	-
Impairment of property, plant and equipment	11.1	9.4		
Impairment of intangible assets	24.9	17.9		
Gain on bargain purchase of acquisition	-	-	(6.1)	(6.1)

Earnings for the purpose of basic and diluted headline earnings per share		494.1		463.7
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Headline earnings per share

Basic (cents)		91.2		86.0
Diluted (cents)		91.2		86.0

10. Normalised earnings per share

Earnings

Earnings for the purpose of basic and diluted headline earnings per share		494.1		463.7
Items excluded from normalised earnings per share	(12.5)	(7.8)	(7.4)	(4.5)
Corporate action costs	0.5	0.4	3.9	3.9
Gain on settlement of contingent consideration	(13.0)	(13.0)	-	-
Write-off of deferred taxation assets	-	4.8	-	-
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)

Earnings for the purpose of basic and diluted normalised earnings per share		486.3		459.2
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Normalised earnings per share

Basic (cents)		89.8		85.2
Diluted (cents)		89.8		85.2

**Notes to the consolidated financial statements continued
for the year ended 31 December 2020**

	Audited 2020 R'm	Audited 2019 R'm
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11. Dividends

Final dividend No 19 paid on 15 April 2019: 15.0 cents per share	-	82.0
Interim dividend No 20 paid on 30 September 2019: 15.0 cents per share	-	82.0
Dividend attributable to shares held by the treasury shares	-	(0.9)
Dividends declared by subsidiaries to non-controlling interests	<u>3.8</u>	<u>7.8</u>
Total dividends	<u>3.8</u>	<u>170.9</u>

On 18 March 2021 the directors declared a dividend No 21 of 20.0 cents per share payable on 19 April 2021 to shareholders registered on the record date, being 16 April 2021.

Analysis of dividends per share declared:

Interim	-	15.0
Final	<u>20.0</u>	<u>-</u>
	<u>20.0</u>	<u>15.0</u>

Notes to the consolidated financial statements continued
for the year ended 31 December 2020

2020	Cost					31 Dec 2020 R'm
	1 Jan 2020 R'm	Additions R'm	Acquisitions through business combinations R'm	Disposals R'm	Foreign currency effect R'm	

12. Property, plant and equipment

Land and buildings	4 299.6	115.5	-	(30.9)	(4.7)	4 379.5
Computer equipment	394.6	54.4	-	(37.0)	(0.3)	411.7
Computer software	19.5	1.7	-	(3.5)	-	17.7
Furniture, fittings and equipment	322.2	39.6	-	(32.5)	(0.4)	328.9
Motor vehicles	62.4	3.6	-	(2.2)	(0.1)	63.7
Video equipment	11.2	6.4	-	(4.9)	(0.1)	12.6
Leasehold improvements	544.6	47.6	-	(36.1)	(0.6)	555.5
	5 654.1	268.8	-	(147.1)	(6.2)	5 769.6

	Accumulated depreciation and impairment					31 Dec 2020 R'm
	1 Jan 2020 R'm	Depreciation R'm	Impairment R'm	Disposals R'm	Foreign currency effect R'm	
Land and buildings	129.2	24.1	11.1	(6.5)	(3.6)	154.3
Computer equipment	257.2	71.3	-	(36.5)	(0.1)	291.9
Computer software	11.4	4.3	-	(2.6)	-	13.1
Furniture, fittings and equipment	181.6	50.4	-	(32.1)	(0.1)	199.8
Motor vehicles	43.5	8.2	-	(2.1)	-	49.6
Video equipment	7.0	3.6	-	(2.6)	-	8.0
Leasehold improvements	153.3	31.2	-	(35.3)	-	149.2
	783.2	193.1	11.1	(117.7)	(3.8)	865.9

	Net book value	
	31 Dec 2020 R'm	31 Dec 2019 R'm
Land and buildings	4 225.2	4 170.4
Computer equipment	119.8	137.4
Computer software	4.6	8.1
Furniture, fittings and equipment	129.1	140.6
Motor vehicles	14.1	18.9
Video equipment	4.6	4.2
Leasehold improvements	406.3	391.3
	4 903.7	4 870.9
Reclassified as non-current assets held for sale	(48.8)	(67.8)
Cost	(51.9)	(71.8)
Accumulated depreciation	3.1	4.0
	4 854.9	4 803.1

Included in land and buildings is an amount of R12.7 million (2019: R56.3 million) which relates to buildings that are still in progress.

Included in leasehold improvements is an amount of R5.2 million (2019: R8.0 million) which relates to improvements that are still in progress.

The amount of borrowing costs capitalised to current year additions amounted to R1.8 million (2019: R20.9 million) at an average capitalisation rate of 6.7% (2019: 9.0%).

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 valuers. Their valuation based on present land use amounted to R5 407.1 million, a premium of R1 236.7 million or 30% over book value as at December 2019. The previous valuation conducted during 2016 valued the group's fixed property at R3 384.1 million.

The fair value is determined using the present value of future cash flows and is level 3 on the fair value hierarchy.

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

Land and buildings having a net book value of R2 593.3 million (2019: R2 431.3 million) have been pledged as security for the banking facilities (refer to note 26, 27 and 36). Trinityhouse Palm Lakes and Trinityhouse North-Riding were closed as at 31 December 2020 and as a result, land and buildings were impaired by R11.1 million in anticipation of its disposal in future.

Notes to the consolidated financial statements continued
for the year ended 31 December 2020

2019	Cost							31 Dec 2019 R'm
	1 Jan 2019 R'm	Additions R'm	Acquisitions through business combinations R'm	Disposals R'm	Foreign currency effect R'm	Reallocation R'm		

12. Property, plant and equipment (continued)

Land and buildings	3 518.7	407.8	406.0	(25.0)	(8.4)	0.5	4 299.6
Computer equipment	378.6	68.8	5.6	(55.6)	(0.3)	(2.5)	394.6
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)	3.4	322.2
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)	-	(1.4)	544.6
	<u>4 748.3</u>	<u>683.0</u>	<u>430.4</u>	<u>(198.0)</u>	<u>(9.6)</u>	<u>-</u>	<u>5 654.1</u>

	Accumulated depreciation and impairment							31 Dec 2019 R'm
	1 Jan 2019 R'm	Depreciation R'm	Acquisitions through business combinations R'm	Disposals R'm	Foreign currency effect R'm	Reallocation R'm		
Land and buildings	139.1	14.8	-	(24.0)	(0.7)	-	129.2	
Computer equipment	243.6	69.8	-	(54.5)	-	(1.7)	257.2	
Computer software	8.3	4.1	-	(1.0)	-	-	11.4	
Furniture, fittings and equipment	206.0	42.4	-	(69.1)	(0.1)	2.4	181.6	
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)	-	(0.7)	153.3	
	<u>805.2</u>	<u>174.3</u>	<u>-</u>	<u>(195.4)</u>	<u>(0.9)</u>	<u>-</u>	<u>783.2</u>	

	Net book value	
	31 Dec 2019 R'm	31 Dec 2018 R'm
Land and buildings	4 170.4	3 379.6
Computer equipment	137.4	135.0
Computer software	8.1	8.1
Furniture, fittings and equipment	140.6	118.9
Motor vehicles	18.9	21.5
Video equipment	4.2	2.2
Leasehold improvements	391.3	277.8
	<u>4 870.9</u>	<u>3 943.1</u>
Reclassified as non-current assets held for sale	(67.8)	-
Cost	(71.8)	-
Accumulated depreciation	(4.0)	-
	<u>4 803.1</u>	<u>3 943.1</u>

**Notes to the consolidated financial statements continued
for the year ended 31 December 2020**

		Audited 2020 R'm	Audited 2019 R'm
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13. Proprietary technology systems

Cost

Balance at beginning of the year		163.4	141.8
Additions		39.6	21.6
Balance at end of the year		203.0	163.4

Accumulated amortisation

Balance at beginning of the year		82.5	68.5
Amortisation expense	5	14.0	14.0
Balance at end of the year		96.5	82.5

Carrying amount

At beginning of the year		80.9	73.3
At end of the year		106.5	80.9

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 R75.6 million (2019: R39.9 million) which relates to systems that are still under development.

The amount of borrowing costs capitalised to current year additions amounted to R3.1 million (2019: R1.1 million) at an average capitalisation rate of 6.7% (2019: 9.0%).

**Notes to the consolidated financial statements continued
for the year ended 31 December 2020**

2020	Cost				31 Dec 2020 R'm
	1 Jan 2020 R'm	Foreign currency effect R'm	Additions R'm	Terminations R'm	

14. Right-of-use assets

Land and buildings	647.0	(2.8)	188.6	(98.4)	734.4
Computer equipment	0.6	-	-	-	0.6
Motor vehicles	-	-	1.4	-	1.4
	647.6	(2.8)	190.0	(98.4)	736.4

	Accumulated depreciation				31 Dec 2020 R'm
	1 Jan 2020 R'm	effect R'm	Depreciation R'm	Terminations R'm	
Land and buildings	263.1	(0.4)	128.1	(98.4)	292.4
Computer equipment	0.3	-	0.2	-	0.5
Motor vehicles	-	-	0.6	-	0.6
	263.4	(0.4)	128.9	(98.4)	293.5

	Net book value	
	31 Dec 2020 R'm	31 Dec 2019 R'm
Land and buildings	442.0	383.9
Computer equipment	0.1	0.3
Motor Vehicles	0.8	-
	442.9	384.2

The group leases several buildings from which it conducts its operations. The leases range from 1 year to 36 years depending on the type of operation. Additions in the current year mainly consist of renewed leases on land and buildings.

Approximately 25% (2019: 13%) of the leases for land and buildings 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 31.

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 5.

Overall the variable payments constitute up to 13% (2019: 13%) 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 R 158.5 million (2019: R 156.5 million).

As at 1 January 2021, the group entered into various leases, which had not commenced by the year-end and as a result, lease liabilities and right-of-use assets have not been recognised for these leases.

Notes to the consolidated financial statements continued
for the year ended 31 December 2020

Cost				
2019	1 Jan 2019 R'm	Additions R'm	Terminations R'm	31 Dec 2019 R'm

14. Right-of-use assets (continued)

Land and buildings	744.1	45.1	(142.2)	647.0
Computer equipment	0.6	-	-	0.6
	<u>744.7</u>	<u>45.1</u>	<u>(142.2)</u>	<u>647.6</u>

Accumulated depreciation				
	1 Jan 2019 R'm	Depreciation R'm	Terminations 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
	<u>302.1</u>	<u>103.5</u>	<u>(142.2)</u>	<u>263.4</u>

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	
	<u>384.2</u>	<u>442.6</u>	

**Notes to the consolidated financial statements continued
for the year ended 31 December 2020**

	Audited 2020 R'm	Audited 2019 R'm
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15. Goodwill

Cost

Balance at beginning of the year	1 459.9	1 465.6
Disposal of subsidiaries	(4.3)	-
Foreign currency effect	(3.2)	(5.7)
Balance at end of the year	<u>1 452.4</u>	<u>1 459.9</u>

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

When testing goodwill for impairment, the recoverable amounts of the cash-generating units (CGUs) are determined using value-in-use calculations taking into account estimated discount rates and growth rates. 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. These are more prudent than the three year budgets which have been approved by the directors. The effects of the COVID-19 pandemic on the forecasts such as possible lower revenue, additional costs and reduced capital expenditure have been factored into the projections. The future cash flows (which includes the effect of the COVID-19 pandemic) are determined by 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 and industry trends relating to the CGU. Growth rates can fluctuate from year to year based on the assumptions used to determine these rates.

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 key assumptions used are as follows:

2020

Cash-generating unit	Goodwill R'm	Indefinite life intangible assets R'm	Period of projected cash flows Years	Applied growth rate %	Terminal growth rate %	Pre-Tax discount rate %	Post-tax discount rate %
Schools - South Africa	1 095.0	84.6	5	7.0	4.7	14.95	12.20
Schools - Rest of Africa*	157.8	16.6	5	14.0	5.0	14.41	12.80
Tertiary	167.7	-	5	6.0	4.7	17.59	13.50
Resourcing - South Africa	7.7	-	5	6.0	4.7	18.40	16.50
Resourcing - Rest of Africa	24.2	-	5	6.0	4.7	18.52	17.60
	<u>1 452.4</u>	<u>101.2</u>					

* Higher growth rates are used in the Schools - Rest of Africa CGU as these are new schools that will grow faster in the early years.

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
	<u>1 459.9</u>	<u>126.2</u>				

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. During the current year the schools and resourcing division CGUs were split into South Africa and Rest of Africa in order to align to the operating segments due to the change in the manner of reporting to the chief operating decision maker. These CGUs are used for the purpose of performing the goodwill impairment calculations.

The estimated recoverable amounts of the CGUs exceeded their carrying value. Due to the headroom available, a 10% variation to management's cash flow estimates would not impact the result of the recoverable amount exceeding the carrying value. Management have used a reasonable possible variation of 10% in the determination of the sensitivity of the key inputs. On the discount rates, a 5% variation would not result in the recoverable amount falling below the carrying amount. These variation have been deemed reasonable based on management's analysis of the inputs and as such this provides a relevant and sufficient guidance on the sensitivity of goodwill.

Except for the impairment of specific indefinite life intangibles as disclosed in note 16, the directors were satisfied that there were no other impairment adjustments required to goodwill and intangible assets.

**Notes to the consolidated financial statements continued
for the year ended 31 December 2020**

	Note	Customer bases R'm	Brand values R'm	Total audited R'm
16. Intangible assets				
Cost				
Balance at 1 January 2019		159.8	151.4	311.2
Foreign currency effect		(0.5)	(0.7)	(1.2)
Balance at 1 January 2020		159.3	150.7	310.0
Foreign currency effect		0.4	-	0.4
At 31 December 2020		159.7	150.7	310.4
Accumulated amortisation and impairment				
Balance at 1 January 2019		82.9	17.3	100.2
Amortisation expense	5	11.5	1.2	12.7
Balance at 1 January 2020		94.4	18.5	112.9
Impairment		-	24.9	24.9
Amortisation expense	5	9.0	1.4	10.4
At 31 December 2020		103.4	44.8	148.2
Carrying amount				
As at 31 December 2019		64.9	132.2	197.1
As at 31 December 2020		56.3	105.9	162.2

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 12 years
Brand values	5 to 10 years, indefinite life	2 to 6 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 become 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 R101.2 million (2019: R126.2 million) have a life span in excess of 20 years and therefore an indefinite period of amortisation was selected. Refer to note 15 for details of the assumptions applied in assessing the indefinite useful life intangible assets for impairment.

Intangible assets with a carrying value of R24.9 million relating to the brand value of Maragon (in the schools division) were impaired. The recoverable amount which is based on the value in use was considered to be Rnil and the assets were fully impaired. The reason for the impairment was the strategic re-positioning and re-branding of these schools which is currently in progress.

**Notes to the consolidated financial statements continued
for the year ended 31 December 2020**

	Audited 2020 R'm	Audited 2019 R'm
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17. Deferred taxation

Opening deferred taxation	(130.4)	(101.6)
	41.0	23.2
Current year temporary differences	37.8	20.8
Foreign currency effect	(0.6)	0.1
Movement in deferred taxation assets relating to taxation losses	3.8	2.3
Assessed losses written off	(4.8)	-
Business combinations	0.9	(36.9)
Prior year under provision	(5.4)	(15.1)
Balance at end of the year	(98.7)	(130.4)

The deferred tax balance is disclosed as follows:

Deferred taxation assets	53.9	40.5
Deferred taxation liabilities	(152.6)	(170.9)
	(98.7)	(130.4)

Deferred taxation assets of R75.2 million (2019: R77.2 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.

The balance comprises:

Deferred and prepaid expenditure	(3.6)	(5.7)
Allowance for future expenditure (S24C)	(69.2)	(73.9)
Fees received in advance	71.4	74.7
Commercial building allowance	(91.8)	(75.0)
Allowance for doubtful debts	62.9	49.9
Leave pay accrual	8.1	7.9
Other	1.6	-
Property, plant and equipment allowances	(69.7)	(82.6)
Estimated taxation losses carried forward	75.2	77.2
Net lease liabilities	33.7	28.7
Bonus provision	13.8	12.0
Management share incentive scheme awards (MSI)	7.2	5.2
Intangible assets	(40.3)	(50.2)
Fair value of land and buildings on acquisitions	(98.0)	(98.6)
	(98.7)	(130.4)

Deferred taxation accounted for in the statement of profit or loss:

Deferred and prepaid expenditure	2.1	(1.5)
Allowance for future expenditure (S24C)	12.9	(4.8)
Fees received in advance	(3.3)	(7.9)
Commercial building allowance	(16.8)	(13.9)
Allowance for doubtful debts	13.0	1.1
Leave pay accrual	0.2	1.7
Other	1.6	-
Property, plant and equipment allowances	12.9	(56.3)
Movement in taxation losses	(0.9)	97.8
Net lease liabilities	5.0	(3.6)
Bonus provision	1.8	2.8
Management share incentive scheme awards (MSI)	2.0	3.8
Intangible assets	9.9	3.7
Fair value of land and buildings on acquisitions	0.6	0.3
	41.0	23.2

**Notes to the consolidated financial statements continued
for the year ended 31 December 2020**

	Audited	Audited
	2020	2019
	R'm	R'm

18. Investment in joint arrangement

Investment held at 1 January	7.6	6.2
Share of profit from joint arrangement	0.4	1.4
Investment 50% held at 31 December	8.0	7.6

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	37.9	42.2
Profit for the year	0.9	2.8
Current assets	9.2	6.9
Non-current assets	2.7	2.1
Current liabilities	(5.7)	(4.1)
Non-current liabilities	-	(0.2)
Net asset value of Star Schools	6.2	4.7

Notes to the consolidated financial statements continued
for the year ended 31 December 2020

	Audited 2020 R'm	Audited 2019 R'm
19. Inventories		
Books	12.8	18.8
Educational material and promotional items	4.6	3.7
	17.4	22.5

20. Trade and other receivables

Amounts receivable for tuition fees	580.7	502.2
Amounts receivable for placement fees	28.3	45.1
Amounts receivable from the sale of goods and services	0.2	0.4
Trade receivables	609.2	547.7
Loss allowance	(375.7)	(301.2)
	233.5	246.5
Deposits	14.9	21.8
Staff debtors	1.3	1.2
VAT refundable	0.6	20.5
Other receivables*	20.0	36.2
	270.3	326.2

* the majority of other receivables is made up of rentals receivable and withholding tax credits.

Profit or loss impact

Credit losses [#]	263.6	135.8
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[#] Includes the profit or loss impact of bad debts written-off and the movement in the loss allowance.

The average credit period is 40 days (2019: 39 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). This assessment takes into consideration the aging of the debtor as well as whether the student is still in the educational institution or has left in order to determine the risk. The COVID-19 pandemic resulted in the delay of payment with more debtors being included in the older and riskier debtor categories and resulted in an increased ECL. The ECL on trade receivables are estimated using a provision calculation by reference to past default experience of the debtor category.

The group measures the loss allowance of other debtors at an amount equal to lifetime ECL. Other debtors are usually short term in nature and are written off when considered irrecoverable. The loss allowance applicable to other debtors is not considered significant.

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.

Schools

	Performing	In default	Total	Performing	In default	Total
	2020			2019		
Gross carrying amount	44.9	94.5	139.4	25.2	72.4	97.6
Lifetime ECL	(1.3)	(81.1)	(82.4)	-	(36.4)	(36.4)
	43.6	13.4	57.0	25.2	36.0	61.2

Approximately 21% of in default debtors relates to debtors from a previous financial year

Tertiary

	Performing	In default	Total	Performing	In default	Total
	2020			2019		
Gross carrying amount	76.8	364.5	441.3	59.8	344.8	404.6
Lifetime ECL	(2.3)	(289.9)	(292.2)	-	(263.4)	(263.4)
	74.5	74.6	149.1	59.8	81.4	141.2

Approximately 51% of in default debtors relates to debtors from a previous financial year

Resourcing

	Performing & overdue	In default	Total	Performing & overdue*	In default	Total
	2020			2019		
Gross carrying amount	27.4	1.1	28.5	44.1	1.4	45.5
Lifetime ECL	(0.3)	(0.8)	(1.1)	-	(1.4)	(1.4)
	27.1	0.3	27.4	44.1	-	44.1

* the previous categories of performing and overdue were combined as there was no significant difference in credit risk between the two.

20. Trade and other receivables (continued)

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	
	2020	2019
Balance at beginning of the year	301.2	237.9
Remeasurement of loss allowance	275.4	152.3
Amounts written off	(194.2)	(109.4)
Business combinations	-	28.2
Amounts recovered	(6.7)	(7.8)
Balance at end of the year	375.7	301.2

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	
	2020	2019	2020	2019
Increase/(decrease) in schools trade receivables	19.7	22.1	(4.6)	10.5
Increase in tertiary trade receivables	17.0	19.7	28.3	53.0
(Decrease)/increase in resourcing trade receivables	(16.7)	(0.3)	11.7	(0.7)
Settlement in part by certain tertiary brand's trade receivables that were more than 365 days past due	-	(34.6)	-	(63.9)
Increase in trade receivables due to business combinations	-	-	45.1	28.2

	Audited 2020 R'm	Audited 2019 R'm

21. Cash and cash equivalents

Bank balances and cash	181.7	170.5
Bank overdraft	-	(45.2)
Net cash and cash equivalents	181.7	125.3

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.

**Notes to the consolidated financial statements continued
for the year ended 31 December 2020**

	Note	Audited 2020 R'm	Audited 2019 R'm
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22. Non-current assets held for sale

Land and buildings	12	48.8	67.8
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During the prior 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.

23. Stated capital

Authorised

1 000 000 000 shares of no par value (2019: 1 000 000 000 shares)

	Number of shares 2020 'm	Audited Stated capital 2020 R'm	Number of shares 2019 'm	Audited Stated capital 2019 R'm
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Issued

Balance at 1 January	548.8	1 539.0	546.6	1 514.0
Shares issued for the management share incentive scheme	3.0	27.3	2.2	25.1
Share issue costs	-	-	-	(0.1)
Balance at 31 December	551.8	1 566.3	548.8	1 539.0

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.

24. ADvTECH share incentive scheme

Certain employees and executive directors were 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 25.

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)
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				
			2020	2019
Options outstanding on 1 January	2 687 514	1 364	3 413 779	1 274
Less - Exercised	(5 000)	820	(342 333)	697
- Lapsed	(526 634)	934	(383 932)	1 156
Options outstanding at 31 December	2 155 880	1 470	2 687 514	1 364

As at 31 December 2020 there were 73 (2019: 78) participants (including executive directors) in the ADvTECH share incentive scheme.

	Number of shares		Shares held by share incentive trust R'm	
	2020	2019	2020	2019
Reconciliation of shares owned				
Shares owned by the trust as at 1 January	2 732 693	3 813 057	15.3	21.4
Less - Shares transferred to MSI (Refer to note 25)	(576 134)	(738 031)	(3.3)	(4.1)
- Options exercised during the year	(5 000)	(342 333)	-	(2.0)
Shares owned by the trust at 31 December	2 151 559	2 732 693	12.0	15.3

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 group recognised a total expense of R1.8 million (2019: R2.7 million) related to share-based payment transactions during the year.

25. 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	
16 September 2020	31 Dec 2023	904	

	Number of share awards	Weighted average price (cents)	Number of share awards	Weighted average price (cents)
Reconciliation of awards	2020	2019		
Awards outstanding on 1 January	6 803 798	1 395	3 911 710	1 604
Add - Awards granted during the year	4 705 127	904	3 064 911	1 167
Less - Vested	(571 676)	1 715	-	-
- Forfeited	(1 006 590)	1 715	-	-
- Forfeited due to employees leaving the group	(105 953)	1 354	(172 823)	1 575
Awards outstanding at 31 December	9 824 706	1 109	6 803 798	1 395

As at 31 December 2020 there were 32 (2019: 36) participants (including executive directors) in the MSI.

	Number of shares	
Reconciliation of shares owned	2020	2019
Shares owned by the group as at 1 January	6 803 802	3 911 714
Add - Shares bought from the Share Incentive trust (Refer to note 24)	576 134	738 031
Add - Shares issued into the MSI	3 016 450	2 154 057
Less - Share awards vested during the year	(571 676)	-
Shares owned by the group at 31 December	9 824 710	6 803 802

The group recognised total expenses of R17.1 million (2019: R13.6 million) related to the MSI during the year.

**Notes to the consolidated financial statements continued
for the year ended 31 December 2020**

	Audited 2020 R'm	Audited 2019 R'm
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26. Long-term bank loans

Secured term loan	1 800.0	1 800.0
Disclosed as:		
Current liabilities	600.0	-
Non-current liabilities	1 200.0	1 800.0
	1 800.0	1 800.0

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

Secured term loan

The secured term loan is made up of three 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 and the revolving credit facility in note 27 are secured by mortgage bonds over properties having a net book value of R2 593.3 million. Refer to note 12.

Refer to note 36 for details of securities on the term loans.

	Audited 2020 R'm	Audited 2019 R'm
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27. Short-term bank loan

Group revolving credit facility	410.0	850.0
Kenyan subsidiary revolving credit facility	31.2	30.1
	<u>441.2</u>	<u>880.1</u>

The group revolving credit facility and the secured term loan (as per note 26) are secured by mortgage bonds over properties having a net book value of R2 593.3 million (2019: R2 431.3 million). Refer to notes 12, 26 and 36.

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

Group revolving credit facility

Effective from 2 December 2020, this represents a R950.0 million revolving credit facility available to the group for a 3 year period.

The facility utilised attracts interest at the following rates:

- total drawdowns are less than one third of the facility available: JIBAR + 2.0%
- total drawdowns are greater than one third but less than two thirds of the facility available: JIBAR + 2.1%
- total drawdowns are greater than two thirds of the facility available: JIBAR + 2.2%

The group has the option to make draw-downs for periods of one, three and six months (or for a shorter period agreed with the lender) and may elect to roll these for further periods.

Prior to 2 December 2020, this represented a R950.0 million revolving credit facility that was available to the group commencing on 28 September 2018 and terminating on 2 December 2020.

The replaced facility attracted 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 had the option to make draw-downs for periods of one, three and six months and could have elected 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 36 for details of securities.

28. Trade and other payables

Trade payables and accruals	418.0	408.0
Leave pay accrual	29.1	28.5
	<u>447.1</u>	<u>436.5</u>

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.

29. Acquisition liabilities

Acquisition liabilities	53.9	74.4
Disclosed as:		
Current liabilities	3.8	-
Non-current liabilities	50.1	74.4
	<u>53.9</u>	<u>74.4</u>

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. The seller has allocated R3.8 million less than they are contractually entitled to and there is an expectation that this could be settled within the next 12 months.

30. Fees received in advance and deposits

Fees received in advance (i)	272.3	286.3
Deposits (ii)	38.5	42.5
Total	<u>310.8</u>	<u>328.8</u>

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	286.3	304.1
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(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 2020 and 31 December 2019 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 33.

**Notes to the consolidated financial statements continued
for the year ended 31 December 2020**

	Audited 2020 R'm	Audited 2019 R'm
Note		

31. Lease liabilities

Lease liabilities	565.0	485.5
Disclosed as:		
Current liabilities	137.8	116.3
Non-current liabilities	427.2	369.2
	565.0	485.5
Balance as at 1 January	485.5	537.8
Foreign currency effect	(3.0)	-
Additions	180.4	44.6
Finance costs on lease liabilities	6.3 60.6	59.6
Repayment of lease liabilities	(158.5)	(156.5)
Balance as at 31 December	565.0	485.5

Maturity analysis

Year 1	137.8	116.3
Year 2	125.8	94.7
Year 3	101.3	82.9
Year 4	87.6	51.6
Year 5	71.5	30.1
Onwards	567.0	583.6

The group applied an incremental borrowing rate on new leases ranging between 5.2% (2019: 8.5%) and 7.5% (2019: 12.0%) to determine the lease liabilities depending on the length of the lease, the jurisdiction and the market interest rates.

The group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored at a group level.

	Audited 2020 R'm	Audited 2019 R'm
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32. Commitments

32.1 Capital commitments

Capital expenditure approved by the directors:
Contracted but not provided for
Not contracted

293.0	363.8
<u>576.2</u>	<u>763.0</u>
<u>869.2</u>	<u>1 126.8</u>

Capital commitments will be financed through existing facilities and cash generated by operations.

Anticipated timing of spend:

0 - 1 years
1 - 2 years
3 - 5 years
more than 5 years

282.4	276.5
139.7	91.0
152.4	428.7
294.7	330.6
<u>869.2</u>	<u>1 126.8</u>

32.2 Equipment lease commitments in cash

Equipment:
Due within one year
Due within two to five years

1.6	4.0
1.5	3.3
<u>3.1</u>	<u>7.3</u>

The leases relate to equipment with various lease terms. The commitments include specified escalations in lease payments.

33. Financial instruments

Categories of financial instruments

Financial assets

Amortised cost

Trade and other receivables
Bank balances and cash

270.3	326.2
181.7	170.5

Financial liabilities

Amortised cost

Long-term bank loans
Short-term bank loans
Trade and other payables
Deposits
Shareholders for dividends
Bank overdraft

1 800.0	1 800.0
441.2	880.1
418.0	408.0
38.5	42.5
1.5	1.5
-	45.2

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.

33. Financial instruments (continued)

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 R 2 905.6 million (2019: R2 906.9 million) of which R2 241.2 million (2019: R2 725.3 million) has been utilised at year-end. The group did not breach any of its covenants during the year ended 31 December 2020.

All financial assets are expected to be realised within 1 year. 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 2020		CAPITAL OUTFLOW AS AT 31 DECEMBER 2019	
	Less than 1 year R'm	Between 1 & 5 Years R'm	Less than 1 year R'm	Between 1 & 5 Years R'm
Secured term loan	600.0	1 200.0	-	1 800.0
Revolving credit facility	441.2	-	880.1	-
Trade and other payables	418.0	-	407.9	-
Deposits	38.5	-	42.5	-
Bank overdraft	-	-	45.2	-
Total	1 497.7	1 200.0	1 375.7	1 800.0

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 ECL 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 20 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 months ECL. As bank balances and cash are held with reputable international banking institutions no loss allowance has been included against this balance.

33. Financial instruments (continued)

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.

- 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 R19.3 million (2019: R17.6 million).

The group's sensitivity to interest rates have decreased during the current year mainly due to the decrease in the short-term bank loans in place as detailed in notes 26 and 27.

The group's exposure to interest rates on financial assets and financial liabilities are detailed in the table below:

	Interest rate	INTEREST OUTFLOW AS AT 31 DECEMBER 2020		INTEREST OUTFLOW AS AT 31 DECEMBER 2019	
		Less than 1 year	Between 1 & 5 Years	Less than 1 year	Between 1 & 5 Years
		R'm	R'm	R'm	R'm
Secured term loan	Variable	97.5	196.5	154.2	309.9
Revolving credit facility	Variable	6.6	-	3.0	-
Total		104.1	196.5	157.2	309.9

- 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	
	2020	2019	2020	2019
United States Dollar	0.7	0.7	5.2	5.4
Great British Pound	-	0.6	-	-
Australian Dollar	-	0.3	-	-
Mauritian Rupee	0.1	-	0.2	-
Euro	4.1	-	7.1	-

The group's foreign currency exposure risk has not changed significantly year on year. The payables and receivables consist of invoices denominated in a foreign currency and are expected to be settled in a relatively short period of time. Fluctuations in the exchange rate are unlikely to have a material impact on the group's results.

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 to the consolidated financial statements continued
for the year ended 31 December 2020**

	Audited 2020 R'm	Audited 2019 R'm
Notes		

34. Notes to the statement of cash flows

34.1 Cash generated from operations

Profit before taxation		674.5	660.8
Adjusted for non-cash IFRS and other adjustments (before taxation)		10.5	10.6
		685.0	671.4
Adjustments:		579.5	520.7
Depreciation, amortisation and impairment		382.4	304.5
Net finance costs	6	204.8	221.8
Gain on settlement of contingent consideration	5	(13.0)	-
Gain on bargain purchase of acquisition		-	(6.1)
Loss on disposal of subsidiaries	5/37	6.7	-
(Profit)/loss on disposal of property, plant and equipment	5	(1.4)	0.5
		1 264.5	1 192.1

34.2 Movement in working capital

Decrease/(increase) in inventories		4.8	(2.7)
Decrease/(increase) in trade and other receivables and prepayments		64.3	(14.9)
(Decrease)/increase in trade and other payables and provisions		(3.5)	46.5
Decrease in fees received in advance and deposits		(17.6)	(137.4)
Decrease/(increase) in working capital		48.0	(108.5)

34.3 Taxation paid

Balance at beginning of the year		39.0	16.6
Disposal of subsidiaries		(1.7)	-
Business combinations		-	(1.3)
Current charge (including foreign currency effect)		(242.7)	(200.6)
Taxation on equity item		(0.4)	(1.0)
Foreign taxation credits		0.3	1.5
Balance at end of the year		(7.0)	(39.0)
Cash amount paid		(212.5)	(223.8)

34.4 Dividends paid

Balance at beginning of the year		(1.5)	(1.3)
Declared during the year	11	(3.8)	(170.9)
Balance at end of the year		1.5	1.5
Cash amount paid		(3.8)	(170.7)

34.5 Additions to property, plant and equipment to maintain operations

Land and buildings		(22.1)	(22.2)
Computer equipment		(36.8)	(41.3)
Computer software		(1.7)	(2.9)
Furniture, fittings and equipment		(19.1)	(29.3)
Motor vehicles		(2.7)	(3.7)
Video equipment		(5.1)	(1.5)
Leasehold improvements		(7.5)	(41.3)
		(95.0)	(142.2)

Notes to the consolidated financial statements continued
for the year ended 31 December 2020

	Audited 2020 R'm	Restated Audited 2019 R'm
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34. Notes to the statement of cash flows (continued)

34.6 Additions to property, plant and equipment to expand operations

Land and buildings	(93.0)	(366.6)
Computer equipment	(17.6)	(27.5)
Computer software	-	(0.6)
Furniture, fittings and equipment	(20.5)	(16.4)
Motor vehicles	(0.9)	(1.3)
Video equipment	(1.3)	(2.3)
Leasehold improvements	(38.7)	(103.3)
	<u>(172.0)</u>	<u>(518.0)</u>

34.7 Business combinations cash flows

Additions to property, plant and equipment	-	(430.4)
Additions to current assets	-	(168.3)
Additions to non-current liabilities	-	36.9
Additions to current liabilities	-	119.7
Gain on bargain purchase	-	6.1
Cash and cash equivalents acquired	-	116.0
	<u>-</u>	<u>(320.0)</u>

34.8 Free operating cash flow before capex per share

Profit for the year	465.5	468.3
Adjusted for non-cash IFRS and other adjustments (after taxation)	10.5	7.5
Net operating profit after taxation - adjusted for non-cash IFRS and other adjustments	<u>476.0</u>	<u>475.8</u>
Depreciation, amortisation and impairment	382.4	304.5
Repayment of lease liabilities	(97.9)	(96.9)
Taxation adjustment on IFRS 16 leases	(8.7)	(1.6)
Other non-cash flow items (after taxation)	(1.0)	0.4
Operating cash flow after taxation	<u>750.8</u>	<u>682.2</u>
Movement in working capital	48.0	(108.5)
Free operating cash flow before capex	<u>798.8</u>	<u>573.7</u>
Free operating cash flow before capex per share (cents)	<u>147.5</u>	<u>106.4</u>

Notes to the consolidated financial statements continued
for the year ended 31 December 2020

35. 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 4 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 2020, are set out below:

	Long service award					Total 2020	Total 2019
	Salary	R	Bonus	Expense allowances	Provident fund contributions		
Executive							
RJ Douglas	4 034 756	-	1 446 105	180 000	537 381	6 198 242	6 019 907
JDR Oesch	3 020 194	16 000	870 168	150 000	404 200	4 460 562	4 110 891
Total executive directors	7 054 950	16 000	2 316 273	330 000	941 581	10 658 804	10 130 798
Prescribed officers							
MD Aitken	2 566 739	-	743 077	287 556	201 505	3 798 877	3 498 213
FJ Coughlan	2 555 967	16 000	569 764	227 556	333 536	3 702 823	3 341 898
DL Honey	2 650 128	-	441 949	186 840	381 722	3 660 639	4 196 347
Total prescribed officers	7 772 834	16 000	1 754 790	701 952	916 763	11 162 339	11 036 458

Emoluments paid to non-executive directors of the group for the ended 31 December 2020, are set out below:

	Board	Audit committee	Risk committee	Remuneration committee	Transformation, social and ethics committee	Investment committee	Total 2020	Total 2019
	R	R	R	R	R	R	R	R
CH Boule	586 356	-	-	-	-	81 327	667 683	714 211
JS Chimhanzi	324 439	123 878	41 844	-	-	-	490 161	464 048
BM Gourley	48 666	13 273	16 635	-	-	8 848	87 422	695 658
KM Gugushe	249 818	98 808	16 714	-	49 455	-	414 795	-
JM Hofmeyr	324 439	-	-	54 203	90 229	-	468 871	464 363
JD Jansen	131 594	-	-	-	60 438	-	192 032	442 419
SC Masie	168 285	-	25 563	-	-	34 411	228 259	392 868
KDM Warburton	324 439	226 451	-	54 203	-	-	605 093	573 820
JS Zimmermann	389 327	-	-	65 044	-	51 911	506 282	515 721
SA Zinn	324 439	-	-	75 683	69 007	43 259	512 388	520 254
Total non-executive	2 871 802	462 410	100 756	249 133	269 129	219 756	4 172 986	4 783 362

An amount of R 267 775 (2019: R 292 002) relating to value-added tax was paid on director fees.

MSI scheme

The directors and prescribed officers were awarded the following shares at 31 December 2020:

	Share awards as at 31 December 2019	Share awards awarded during the year	Share awards vested during the year		Share awards forfeited during the year*	Share awards as at 31 December 2020
	Number	Number	Number	Benefit arising on vesting of awards (R)	Number	Number
Directors						
RJ Douglas	246 806 301 758 397 162		77 082	703 759	169 724	- 301 758 397 162 607 097
JDR Oesch	140 105 171 300 238 985	607 097	43 757	399 501	96 348	- 171 300 238 985 365 310
Prescribed officers						
MD Aitken	128 624 155 793 205 048	311 955	40 172	366 770	88 452	- 155 793 205 048 311 955
FJ Coughlan	89 614 110 079 155 747	239 196	27 987	255 521	61 627	- 110 079 155 747 239 196
DL Honey	140 007 171 180 242 198	349 265	43 726	399 218	96 281	- 171 180 242 198 349 265
	2 894 406	1 872 823	232 724	2 124 769	512 432	4 022 073

* This relates to awards forfeited due to performance targets not being met.

Share incentive scheme

The directors and prescribed officers held the following share options at 31 December 2020:

	Share options as at 31 December 2019		Share options lapsed during the year		Share options exercised during the year			Share options as at 31 December 2020
	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	83 333 50 000 55 533	820 1 260 1 696	83 333	820				- 50 000 55 533
JDR Oesch	50 000 41 100	1 260 1 696						50 000 41 100
Prescribed officers								
MD Aitken	11 667	1 696						11 667
FJ Coughlan	72 000 30 133	1 260 1 696						72 000 30 133
DL Honey	80 000 41 100	1 260 1 696						80 000 41 100
	514 866		83 333					431 533

Details regarding directors' and prescribed officers' interests are disclosed in the directors' report on pages 12 to 15.

36. 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 593.3 million (2019: R2 431.3 million). As at 31 December 2020 the total amount of facilities utilised amounted to R2 210.0 million (2019: R2 650.0 million) and overdrafts utilised amounted to Rnil (2019: R45.2 million) as per notes 21, 26 and 27.

Notes to the consolidated financial statements continued
for the year ended 31 December 2020

Audited 2020 R'm

37. Business combinations/disposals

37.1 Schole Mauritius Limited

A further 13.66% of Schole Mauritius Limited was acquired on 1 April 2020 for a cash consideration of R15.7 million. The total holding is 90.18% of the share capital.

37.2 University of Africa

The shareholding in Ubiquity Open Academy Holdings Proprietary Limited and its subsidiaries, which includes the University of Africa in Zambia, was disposed of as at 1 May 2020 for a consideration of R 0.3 million.

Non-current assets disposed

Non-current assets

(3.6)

Goodwill

(4.3)

Current assets disposed

Current assets

(3.2)

Cash and cash equivalents

0.5

Current liabilities disposed

Current liabilities

0.8

Non-controlling interest

3.4

Loss on disposal

6.7

0.3

37.3 The Private Hotel School Proprietary Limited

A further 20% of The Private Hotel School Proprietary Limited was acquired on 1 November 2020 for a cash consideration of R 2.0 million. The total holding is 100% of the share capital.

37.4 Africa HR Solutions Limited

A further 5% of Africa HR Solutions Limited was acquired on 1 November 2020 for a cash consideration of R 3.3 million. The total holding is 56% of the share capital.

38. Going concern

The annual financial statements of the group and company are prepared on a going concern basis.

Fees received in advance contributes a significant part of the negative working capital (excluding short term funding) where the obligation relates to providing services rather than the outflow of cash. Although current liabilities exceed current assets, there is sufficient receivables and cash to settle trade and other payables. The group also generates significant cash flow at the beginning of each year and is able to settle its liabilities in the ordinary course of business.

The directors have reviewed and approved the group and company budget and cash flow forecasts prepared by management. These forecasts have taken into account the potential lower revenue, additional costs (including increased provision for doubtful debts and bad debts) and lower capital expenditure as compared to previously approved budgets. The directors have compared these forecasts against the cash reserves and borrowing facilities available to the group. It is concluded that the group will remain comfortably within its existing bank facility limits and covenants for at least the next 12 months from the date of approval of these annual financial statements with significant headroom available. Management prepared a detailed profit or loss, cash flow and balance sheet forecast. This forecast has been reviewed and approved by the board of directors.

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.

39. Events after the reporting period

The COVID-19 pandemic is ongoing and has resulted in the delay of the academic year. The commencement of face to face teaching at schools was delayed to 1 February 2021 as a result of COVID-19 government restrictions. The group's schools were able to continue teaching online up to that date and have since commenced with face to face teaching. The tertiary institutions have commenced tuition during March 2021 using a staggered approach. The group is able to transition between face to face and online learning seamlessly and is not expected to be adversely affected from any future lockdowns as a result of the pandemic.

The Minister of finance announced an intention to reduce the corporate tax rate to 27% as well as the review of various tax incentives and allowances. This is expected to be effective for financial years beginning after April 2022 and will affect the group from the 2023 financial year. This is considered a non-adjusting post balance sheet event and the group will monitor the legislative changes in this regard.

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 2020 or the financial position at that date.

Company statement of comprehensive income
for the year ended 31 December 2020

	Notes	Audited 2020 R'm	Audited 2019 R'm
Revenue	1	-	150.0
Staff costs	2	(5.5)	(6.1)
Other operating income		5.6	6.1
Profit before taxation	2	0.1	150.0
Taxation	3	-	(0.3)
Profit for the year[#]		0.1	149.7

[#] The company did not earn other comprehensive income during the year.

Company statement of changes in equity
for the year ended 31 December 2020

	Note	Stated capital R'm	Share incentive reserve R'm	Accumulated loss R'm	Total equity R'm
Balance at 1 January 2019		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	6	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
Total profit and comprehensive income for the year				0.1	0.1
Shares issued	6	27.3			27.3
Share issue costs	6	(0.1)			(0.1)
Share awards under the management share incentive scheme (MSI)**			1.9		1.9
Taxation effect of share awards under the management share incentive scheme (MSI)			(0.4)		(0.4)
Balance at 31 December 2020		1 566.3	37.6	(22.8)	1 581.1

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

** Refer to notes 24 and 25 of the consolidated annual financial statements for details on the share incentive schemes.

Company statement of financial position
as at 31 December 2020

	Notes	Audited 2020 R'm	Audited 2019 R'm
Assets			
Non-current assets			
Investments in subsidiaries at cost	4	658.4	658.4
Loan to Share Incentive Trust*		12.0	15.3
		<u>670.4</u>	<u>673.7</u>
Current assets			
Loans to subsidiaries	4	877.8	844.3
Trade and other receivables	5	36.6	39.2
Prepayments		0.6	0.1
Taxation		0.1	-
		<u>915.1</u>	<u>883.6</u>
Total assets		<u>1 585.5</u>	<u>1 557.3</u>
Equity and liabilities			
Capital and reserves			
Stated capital	6	1 566.3	1 539.1
Share incentive reserve		37.6	36.1
Accumulated loss		(22.8)	(22.9)
Total equity		<u>1 581.1</u>	<u>1 552.3</u>
Current liabilities			
Trade and other payables	7	2.1	1.8
Taxation		-	0.9
Shareholders for capital distribution		0.8	0.8
Shareholders for dividend		1.5	1.5
		<u>4.4</u>	<u>5.0</u>
Total equity and liabilities		<u>1 585.5</u>	<u>1 557.3</u>

* Refer to note 24 of the consolidated annual financial statements.

Company statement of cash flows
for the year ended 31 December 2020

	Notes	Audited 2020 R'm	Audited 2019 R'm
Cash flows from operating activities			
Cash generated from operations	10.1	0.1	-
Movement in working capital	10.2	7.6	5.4
Cash generated by operating activities		7.7	5.4
Taxation paid	10.3	(1.4)	(2.1)
Dividends paid	10.4	-	(162.9)
Net cash inflow/(outflow) from operating activities		6.3	(159.6)
Cash flows from financing activities			
Effects of share options exercised on the share option reserve		-	0.5
Movement in the loan to Share Incentive Trust		-	1.9
(Increase)/decrease in loans to subsidiaries*		(6.3)	157.2
Net cash (outflow)/inflow from financing activities		(6.3)	159.6
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 the increase in loans to subsidiaries is an amount of R27.2 million related to the issue of shares to related parties for the MSI. Included in the prior year 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 2020**

The accounting policies applied are consistent with the group accounting policies detailed on pages 21 - 38.

	Audited 2020 R'm	Audited 2019 R'm
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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
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2. Profit before taxation

Profit before taxation is stated after taking the following into account:

Auditors' remuneration - current year audit fee	1.7	1.3
Directors' emoluments - for services as directors	4.2	4.8
Directors' emoluments - VAT on non-executive director fees	0.3	0.3
Staff costs	1.0	1.0
Total staff costs	5.5	6.1

Notes to the company financial statements (continued)
for the year ended 31 December 2020

	Audited 2020 R'm	Audited 2019 R'm
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3. Taxation

3.1 Taxation expense comprises

Total taxation expense	-	0.3
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3.2 Reconciliation of taxation

Profit before taxation	0.1	150.0
Taxation at 28%	-	42.0
Permanent differences	-	(41.7)
Disallowable expenditure - legal and consulting fees	-	0.3
Non-taxable income - dividend received	-	(42.0)
Taxation expense recognised in profit	-	0.3

Notes to the company financial statements (continued)
for the year ended 31 December 2020

	Issued share capital		Proportion held directly or indirectly		Interest of holding company				Principal activity
					Shares		Loans receivable		
	31 Dec 2020 R	31 Dec 2019 R	31 Dec 2020 %	31 Dec 2019 %	31 Dec 2020 R'm	31 Dec 2019 R'm	31 Dec 2020 R'm	31 Dec 2019 R'm	

4. Investments in and loans to subsidiaries and joint arrangements

Direct:

The Independent Institute of Education (Pty) Ltd *	597 404 309	2	100	100	598.6	101.2	842.8	809.3	1
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 (c)	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	56	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
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	47 435 741	47 435 741	100	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
Maravest (Pty) Ltd *	1 000	1 000	100	100		497.4	27.0	27.0	2
Nanospan Investments (Pty) Ltd	1 000	1 000	100	100					4
Nascifon (Pty) Ltd *	100	100	100	100					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)	125 199 067	125 085 946	90	77					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 (c)	4 970 800	4 970 800	90	77					1
The Private Hotel School (Pty) Ltd	100	100	100	80					1
VirtuallyHR (Pty) Ltd	120	120	51	51					3
					658.4	658.4	877.8	844.3	

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 R465.5 million (2019: R468.3 million). All companies are incorporated in the Republic of South Africa except as indicated: (a) Mauritius (b) Botswana (c) 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 a significant credit risk as the underlying entities are profitable, are forecasted to remain profitable in future based on budgets and cash flow forecasts and are expected to generate sufficient cash to meet their obligations.

The directors consider that the carrying amounts of the loans receivable approximate their fair value.

* the company disposed of its investment in Maravest Proprietary Limited and Nascifon Proprietary Limited to the Independent Institute of Education Proprietary Limited at book value. The consideration received was in the form of shares in the Independent Institute of Education Proprietary Limited.

Notes to the company financial statements (continued)
for the year ended 31 December 2020

	Audited 2020 R'm	Audited 2019 R'm
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5. Trade and other receivables

Other receivables	<u>36.6</u>	39.2
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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.

**Notes to the company financial statements (continued)
for the year ended 31 December 2020**

6. Stated capital

Authorised

1 000 000 000 shares of no par value (2019: 1 000 000 000 shares of no par value)

	Number of shares 2020 'm	Audited Stated capital 2020 R'm	Number of shares 2019 'm	Audited Stated capital 2019 R'm
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Issued

Balance at 1 January	548.8	1 539.1	546.6	1 514.0
Shares issued	3.0	27.3	2.2	25.1
Share issue costs	-	(0.1)	-	-
Balance at 31 December	551.8	1 566.3	548.8	1 539.1

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.

**Notes to the company financial statements (continued)
for the year ended 31 December 2020**

	Audited 2020 R'm	Audited 2019 R'm
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7. Trade and other payables

Trade payables and accruals	2.1	1.8
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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 (continued)
for the year ended 31 December 2020

	Audited 2020 R'm	Audited 2019 R'm
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8. Financial instruments

8.1 Categories of financial instruments

Financial assets

Amortised cost

Loan to Share Incentive Trust	12.0	15.3
Loans to subsidiaries	877.8	844.3
Trade and other receivables	36.6	39.2
	926.4	898.8

Financial liabilities

Amortised cost

Trade and other payables	2.1	1.8
Shareholders for dividend and capital distribution	2.3	2.3
	4.4	4.1

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 33 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.

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 within 2 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. The credit risk on these are assessed on low and would only be considered in default should the circumstances in the underlying entities change adversely. The loss allowance on these is not considered significant as the underlying entities are profitable, are forecasted to remain profitable in future based on budgets and cash flow forecasts and are expected to generate sufficient cash to meet their obligations. The loan receivable from The Independent Institute of Education Proprietary Limited exceeds 5% of total financial assets, refer to note 4 for details of this loan.

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 ECL	Gross carrying amount R'm	Loss allowance R'm	Net carrying amount R'm
31 December 2020						
Loan to Share Incentive Trust	24 (Consolidated annual financial statements)	Performing	12 month ECL	12.0	-	12.0
Loans to subsidiaries	4	Performing	12 month ECL	877.8	-	877.8
Trade and other receivables	5	Performing	12 month ECL	36.6	-	36.6
31 December 2019						
Loan to Share Incentive Trust	24 (Consolidated annual financial statements)	Performing	12 month ECL	15.3	-	15.3
Loans to subsidiaries	4	Performing	12 month ECL	844.3	-	844.3
Trade and other receivables	5	Performing	12 month ECL	39.2	-	39.2

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.

9. 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 593.3 million (2019: R2 431.3 million). As at 31 December 2020 the total amount of facilities utilised amounted to R2 210.0 million as per notes 26 and 27 of the consolidated annual financial statements.

Notes to the company financial statements (continued)
for the year ended 31 December 2020

	Note	Audited 2020 R'm	Audited 2019 R'm
10. Notes to the statement of cash flows			
10.1 Cash generated from operations			
Profit before taxation		0.1	150.0
Adjust for non-cash items - Dividend received		-	(150.0)
		<u>0.1</u>	<u>-</u>
10.2 Movement in working capital			
Decrease in trade and other receivables and prepayments		7.3	5.7
Increase/(decrease) in trade and other payables		0.3	(0.3)
Decrease in working capital		<u>7.6</u>	<u>5.4</u>
10.3 Taxation paid			
Balance at beginning of the year		(0.9)	(1.7)
Current charge	3	-	(0.3)
Taxation on equity item		(0.4)	(1.0)
Balance at end of the year		<u>(0.1)</u>	<u>0.9</u>
Cash amount paid		<u>(1.4)</u>	<u>(2.1)</u>
10.4 Dividends paid			
Balance at beginning of the year		(1.5)	(1.3)
Declared during the year		-	(163.1)
Balance at end of the year		<u>1.5</u>	<u>1.5</u>
Cash amount paid		<u>-</u>	<u>(162.9)</u>
11. Related party transactions			
<p>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 R8.0 million (2019: R8.8 million) and R2.0 million (2019: R2.2 million) respectively were charged and paid, being an appropriate allocation of costs incurred by the relevant administrative departments.</p> <p>Refer to note 35 of the consolidated annual financial statements for information regarding the directors' remuneration.</p>			
12. Events after the reporting period			
<p>Refer to note 39 of the consolidated annual financial statements for information relating to events after the reporting period.</p>			



Shareholders' analysis

as at 31 December 2020

Range of shareholding	Number of shareholders	% of total shareholders	Number of shares	% of total issued share capital
1 to 10 000	7 122	87.6%	7 592 799	1.4%
10 001 to 100 000	640	7.9%	20 647 597	3.7%
100 001 to 1 000 000	277	3.4%	100 004 777	18.1%
more than 1 000 000	92	1.1%	423 538 253	76.8%
	8 131	100.0%	551 783 426	100.0%

Major shareholders (5% and more of the shares in issue)

	Shares held	
	Number	%
Government Employee Pension Fund	75 064 307	13.6%
Coronation Fund Managers	66 376 832	12.0%
Allan Gray	50 410 292	9.1%
CitiGroup (Custodian)	46 471 275	8.4%

To the best knowledge of the directors and after reasonable enquiry, as at 31 December 2020, the spread of shareholders was as follows:

Shareholder spread

Non-public	11	0.1%	23 363 139	4.3%
Directors (including prescribed officers and subsidiary directors)	8	0.1%	11 382 549	2.1%
ADvTECH Share Incentive Schemes (including unvested shares)	3	0.0%	11 980 590	2.2%
Public	8 120	99.9%	528 420 287	95.7%
Totals	8 131	100.00%	551 783 426	100.0%

Share information

	2020	2019	2018	2017	2016
Closing price at period end (cents)	955	1 080	1 485	1 750	1 717
JSE market price high (cents)	1 115	1 543	1 782	2 075	1 810
JSE market price low (cents)	576	1 000	1 341	1 451	1 292
Total number of transactions on JSE	57 008	71 443	63 311	103 675	82 893
Total number of shares traded	147 436 015	137 759 968	136 787 992	237 816 712	252 534 798
Total value of shares traded (R)	1 251 731 767	1 701 647 937	2 143 467 835	4 250 477 901	3 796 373 545
Average price per share (cents)	849	1 235	1 567	1 773	1 525
Shares in issue*	551 783 426	548 766 976	546 612 919	544 368 530	544 368 530
Percentage volume traded to shares in issue	27%	25%	25%	44%	46%
PE ratio	11.6	12.4	20.0	25.3	24.2

* Shares in issue per JSE as at 31 December 2020.



Shareholders' diary

2021

Dividend

Declaration of dividend	Thursday, 18 March
Announcement of annual results for 2020	Tuesday, 23 March
Last day to trade in order to participate in the dividend	Tuesday, 13 April
Trading commences ex-dividend	Wednesday, 14 April
Record date	Friday, 16 April
Share certificates may not be dematerialised and rematerialised between	Wednesday, 14 April and Friday, 16 April, both days inclusive
Dividend payment date	Monday, 19 April

Annual general meeting (AGM)

Record date to receive notices	Friday, 16 April
Posting date and no change statement on SENS	Thursday, 22 April
Last date to trade to be eligible to participate and vote at the AGM	Tuesday, 18 May
Record date to be recorded as a shareholder	Friday, 21 May
Proxy forms to be received by 10h00	Tuesday, 25 May
AGM to be held at 10h00	Thursday, 27 May
Results of AGM published on SENS	Thursday, 27 May

Interim results

Interim results for the six months ended 30 June 2021	Tuesday, 31 August
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