ADvTECH GROUP

ADvTECH Limited ("ADvTECH" or "the group") (Incorporated in the Republic of South Africa) Registration number: 1990/001119/06 | JSE code: ADH | ISIN number: ZAE 0000 31035 | Income taxation number: 9550/190/71/5

INTERIM results

FOR THE SIX MONTHS ENDED 30 JUNE 2019

STUDENT NUMBERS	REVENUE	NORMALISED EARNINGS PER SHARE	INTERIM DIVIDEND PER SHARE
▵11%	▵15%	▵7%	15.0 cents

Condensed consolidated statement of profit or loss

for the six months ended 30 June 2019

R'm	Note	Percentage increase	Unaudited 6 months to 30 June 2019	Restated* Unaudited 6 months to 30 June 2018	Restated* Audited 12 months to 31 December 2018
Revenue		15%	**2 499.2**	2 175.4	4 389.0
Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA)		7%	**580.4**	543.8	1 084.8
Operating profit before interest and non-trading items		6%	**427.6**	404.0	802.1
Non-trading items	2		**13.3**	(33.3)	(39.5)
Net finance costs			**(101.0)**	(88.3)	(187.8)
Interest earned			**4.1**	1.1	3.7
Finance costs incurred			**(78.2)**	(61.8)	(136.4)
Finance costs on lease liabilities			**(26.9)**	(27.6)	(55.1)
Profit before taxation		20%	**339.9**	282.4	574.8
Taxation			**(97.8)**	(92.8)	(180.0)
Profit for the period		28%	**242.1**	189.6	394.8
Profit for the period attributable to:					
Owners of the parent			**239.4**	180.0	384.7
Non-controlling interests			**2.7**	9.6	10.1
			242.1	189.6	394.8
Earnings per share (cents)					
Basic		32%	**44.4**	33.6	71.8
Diluted		32%	**44.4**	33.6	71.8

* *The restatement relates to the adoption of IFRS 16. Refer to note 1.4. The underlying figures for December 2018 are audited. However, the restatement has not been audited or reviewed by the group's auditors.*

Headline and normalised earnings

for the six months ended 30 June 2019

R'm	Percentage increase	Unaudited 6 months to 30 June 2019	Restated* Unaudited 6 months to 30 June 2018	Restated* Audited 12 months to 31 December 2018
Determination of headline earnings				
Profit for the period attributable to owners of the parent		**239.4**	180.0	384.7
Items excluded from headline earnings per share		**(5.6)**	1.2	(3.1)
Profit on sale of property, plant and equipment		**(0.1)**	(0.2)	(0.7)
Profit on sale of subsidiary		**–**	–	(0.9)
Gain on bargain purchase of acquisition		**(5.5)**	–	(4.2)
Impairment of intangible assets		**–**	1.8	3.2
Taxation effects of adjustments		**–**	(0.4)	(0.5)
Headline earnings	29%	**233.8**	181.2	381.6
Headline earnings per share (cents)				
Basic	28%	**43.4**	33.8	71.2
Diluted	28%	**43.4**	33.8	71.2
Determination of normalised earnings				
Headline earnings		**233.8**	181.2	381.6
Items excluded from normalised earnings per share		**(4.9)**	31.5	40.5
Corporate action costs expensed/(reversed)		**3.8**	(3.6)	2.0
Foreign currency gain arising on corporate action		**(6.2)**	–	–
Net loss on financial asset at fair value through profit and loss		**–**	–	4.2
Fair value adjustment/settlement of contingent consideration		**–**	35.1	34.3
Insurance proceeds on previously reported fraud event		**(5.4)**	–	–
Taxation effects of adjustments		**2.9**	–	–
Normalised earnings	8%	**228.9**	212.7	422.1
Normalised earnings per share (cents)				
Basic	7%	**42.5**	39.7	78.8
Diluted	7%	**42.5**	39.7	78.7

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

Condensed consolidated statement of other comprehensive income

for the six months ended 30 June 2019

R'm	Unaudited 6 months to 30 June 2019	Restated* Unaudited 6 months to 30 June 2018	Restated* Audited 12 months to 31 December 2018
Profit for the period	**242.1**	189.6	394.8
Other comprehensive income, net of income taxation			
Items that may be reclassified subsequently to profit or loss			
Gain on disposal to non-controlling interest	**–**	15.9	–
Exchange (loss)/gain on translating foreign operations	**(18.7)**	34.7	52.6
Total comprehensive income for the period	**223.4**	240.2	447.4
Total comprehensive income for the period attributable to:			
Owners of the parent	**222.4**	226.0	430.8
Non-controlling interests	**1.0**	14.2	16.6
	223.4	240.2	447.4

Condensed consolidated statement of financial position

as at 30 June 2019

R'm	Unaudited 30 June 2019	Restated* Unaudited 30 June 2018	Restated* Audited 31 December 2018
Assets			
Non-current assets	**6 788.5**	6 087.8	6 219.8
Property, plant and equipment	**4 479.2**	3 705.3	3 943.1
Right-of-use assets	**494.7**	495.6	508.0
Proprietary technology systems	**87.4**	79.6	73.3
Goodwill	**1 459.8**	1 438.0	1 465.6
Intangible assets	**203.5**	217.6	211.0
Deferred taxation assets	**56.9**	104.8	12.6
Loan receivable	**–**	34.9	–
Investment in joint arrangement	**7.0**	–	6.2
Investment	**–**	12.0	–
Current assets	**715.2**	642.7	571.4
Trade and other receivables	**443.0**	430.7	261.8
Taxation	**–**	–	16.6
Other current assets	**85.3**	62.5	64.1
Bank balances and cash	**186.9**	149.5	228.9
Total assets	**7 503.7**	6 730.5	6 791.2
Equity and liabilities			
Equity	**3 266.4**	3 053.1	3 122.0
Non-current liabilities	**2 477.9**	1 347.1	2 136.0
Long-term bank loans	**1 800.0**	750.0	1 500.0
Deferred taxation liabilities	**145.3**	102.2	113.5
Lease liabilities	**460.0**	436.0	449.6
Acquisition liabilities	**72.6**	58.9	72.9
Current liabilities	**1 759.4**	2 330.3	1 533.2
Current portion of long-term bank loans	**–**	9.9	5.7
Short-term bank loans	**178.5**	750.0	590.0
Current portion of lease liabilities	**136.0**	147.3	156.1
Trade and other payables	**398.5**	393.6	370.5
Taxation	**17.7**	87.1	–
Fees received in advance and deposits	**1 015.7**	854.4	362.5
Bank overdraft	**13.0**	88.0	48.4
Total liabilities	**4 237.3**	3 677.4	3 669.2
Total equity and liabilities	**7 503.7**	6 730.5	6 791.2

Condensed consolidated segmental report

for the six months ended 30 June 2019

R'm	Percentage increase/ (decrease)	Unaudited 6 months to 30 June 2019	Restated* Unaudited 6 months to 30 June 2018	Restated* Audited 12 months to 31 December 2018
Revenue	15%	**2 499.2**	2 175.4	4 389.0
Schools	9%	**1 076.3**	991.1	2 008.8
– South Africa	4%	**984.7**	944.6	1 877.4
– Rest of Africa	97%	**91.6**	46.5	131.4
Tertiary	20%	**1 038.1**	867.9	1 718.5
Resourcing	21%	**387.2**	320.9	669.5
Intra group revenue		**(2.4)**	(4.5)	(7.8)
Operating profit before interest and non-trading items	6%	**427.6**	404.0	802.1
Schools	(6%)	**169.7**	179.9	347.8
– South Africa	2%	**175.1**	171.8	345.5
– Rest of Africa		**(5.4)**	8.1	2.3
Tertiary	20%	**244.7**	204.2	412.6
Resourcing	(34%)	**13.2**	19.9	41.7
Property, plant and equipment, right-of-use assets and proprietary technology systems	18%	**5 061.3**	4 280.5	4 524.4
Schools	10%	**3 550.3**	3 226.7	3 481.1
– South Africa	7%	**3 230.1**	3 025.0	3 163.1
– Rest of Africa	59%	**320.2**	201.7	318.0
Tertiary	45%	**1 486.2**	1 021.9	1 013.3
Resourcing	(22%)	**24.8**	31.9	30.0

Condensed consolidated statement of changes in equity

for the six months ended 30 June 2019

R'm	Unaudited 6 months to 30 June 2019	Restated* Unaudited 6 months to 30 June 2018	Restated* Audited 12 months to 31 December 2018
Balance at beginning of the period before restatement	**3 171.9**	2 880.1	2 880.1
Opening balance adjustments (IFRS 15 and IFRS 16)	**(49.9)**	(31.7)	(51.2)
Restated opening balance	**3 122.0**	2 848.4	2 828.9
Total comprehensive income for the period	**223.4**	240.2	447.4
Dividends declared to shareholders	**(83.4)**	(104.3)	(190.5)
Share-based payment expense	**1.3**	2.2	4.4
Share award expense under the management share incentive scheme (MSI)	**2.7**	4.0	2.8
Taxation effect of shares awarded under the management share incentive scheme (MSI)	**–**	–	(4.4)
Shares to be issued/shares issued to settle contingent consideration	**–**	35.1	32.1
Share options exercised	**0.4**	0.4	8.3
Non-controlling interest on disposal of subsidiary	**–**	19.0	(1.0)
Non-controlling interests arising on acquisitions	**–**	8.1	(6.0)
Balance at end of the period	**3 266.4**	3 053.1	3 122.0

Condensed consolidated statement of cash flows

for the six months ended 30 June 2019

R'm	Note	Percentage increase	**Unaudited 6 months to 30 June 2019**	Restated* Unaudited 6 months to 30 June 2018	Restated* Audited 12 months to 31 December 2018
Cash generated from operations	3	6%	**586.9**	554.6	1 084.2
Movement in working capital			**412.5**	335.4	(66.8)
Cash generated by operating activities		12%	**999.4**	890.0	1 017.4
Net finance costs paid (inclusive of capitalised borrowing costs and finance costs on lease liabilities)			**(106.5)**	(91.9)	(193.6)
Taxation paid			**(113.7)**	(108.1)	(202.1)
Dividends paid			**(83.4)**	(104.7)	(190.8)
Net cash inflow from operating activities			**695.8**	585.3	430.9
Net cash outflow from investing activities			**(533.5)**	(377.4)	(657.5)
Additions to property, plant and equipment			**(195.1)**	(244.4)	(533.2)
Additions to proprietary technology systems			**(19.8)**	(21.3)	(22.3)
Business combinations cash flows			**(320.0)**	(113.1)	(114.9)
Proceeds on disposal of property, plant and equipment			**1.4**	1.4	2.9
Disposal of subsidiary			**–**	–	4.0
Change in ownership of joint arrangement			**–**	–	6.0
Net cash (outflow)/inflow from financing activities			**(167.9)**	(45.0)	507.1
Increase/(decrease) in non-current bank loans			**300.0**	(1.5)	748.5
Decrease in current bank loans			**(417.2)**	(2.3)	(166.5)
Repayment of lease liabilities			**(51.1)**	(41.7)	(83.3)
Cash movement in shares held by Share Incentive Trust			**0.4**	0.5	8.4
Net (decrease)/increase in cash and cash equivalents			**(5.6)**	163.0	280.5
Cash and cash equivalents (net of bank overdraft) at beginning of the period			**180.5**	(103.4)	(103.4)
Net foreign exchange differences on cash and cash equivalents			**(1.0)**	1.9	3.4
Cash and cash equivalents (net of bank overdraft) at end of the period			**173.9**	61.5	180.5

Free operating cash flow before capex per share

for the six months ended 30 June 2019

R'm	Percentage increase	**Unaudited 6 months to 30 June 2019**	Restated* Unaudited 6 months to 30 June 2018	Restated* Audited 12 months to 31 December 2018
Profit for the period		**242.1**	189.6	394.8
Adjusted for non-cash IFRS and other adjustments (after taxation)		**(2.6)**	3.0	5.1
Net operating profit after taxation – adjusted for non-cash IFRS and other adjustments		**239.5**	192.6	399.9
Depreciation, amortisation and impairment		**152.8**	141.6	285.9
Repayment of lease liabilities		**(51.1)**	(41.7)	(83.3)
Taxation adjustment on IFRS 16 leases		**(1.0)**	(2.8)	(5.5)
Fair value adjustment/settlement of contingent consideration		**–**	35.1	34.3
Other non-cash flow items (after taxation)		**(0.1)**	(0.1)	(1.2)
Operating cash flow after taxation	5%	**340.1**	324.7	630.1
Movement in working capital		**412.5**	335.4	(66.8)
Free operating cash flow before capex	14%	**752.6**	660.1	563.3
Weighted average number of shares for purposes of basic earnings per share (million)		**538.9**	535.6	535.9
Free operating cash flow before capex per share (cents)	13%	**139.7**	123.3	105.1

Supplementary information

for the six months ended 30 June 2019

R'm	**Unaudited 6 months to 30 June 2019**	Restated# Unaudited 6 months to 30 June 2018	Audited 12 months to 31 December 2018
Capital expenditure – current period	**214.9**	265.7	555.5
Capital commitments	**1 441.1**	1 632.9	1 901.1
Authorised by directors and contracted for	**718.0**	226.1	819.3
Authorised by directors and not yet contracted for	**723.1**	1 406.8	1 081.8
Anticipated timing of spend	**1 441.1**	1 632.9	1 901.1
0 – 2 years	**701.1**	748.1	1 170.6
3 – 5 years	**385.2**	523.7	360.7
more than 5 years	**354.8**	361.1	369.8
Operating lease commitments in cash – future years	**462.0**	253.7	453.2

Borrowing costs reclassified to interest paid.

Notes to the condensed consolidated interim financial statements

for the six months ended 30 June 2019

1.1 Statement of compliance

The condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standard, IAS 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and the requirements of the Companies Act of South Africa. The accounting policies applied in the preparation of these condensed consolidated interim financial statements are in terms of International Financial Reporting Standards and, except as noted in 1.4 below, are consistent with those applied in the previous consolidated annual financial statements.

The preparation of the condensed consolidated interim financial results for the six months ended 30 June 2019 was supervised by Didier Oesch CA(SA), the group's financial director.

These interim results have not been audited or reviewed.

1.2 Events after the reporting period

The directors are not aware of any matter or circumstance occurring between the date of the statement of financial position and the date of this report that materially affects the results of the group for the period ended 30 June 2019 or the financial position at that date.

1.3 Financial instruments

The directors consider that the carrying amount of the financial assets and financial liabilities recognised in the condensed consolidated interim financial statements approximate their fair values.

All of the group's financial instruments, except for investments, are carried at amortised cost.

1.4 Adoption of new International Financial Reporting Standard

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

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

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

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

R'm	Restated Unaudited 6 months to 30 June 2018	Restated Unaudited 12 months to 31 December 2018
Impact on profit or loss		
Rental expense	70.3	140.7
Depreciation	(51.6)	(103.3)
Interest	(27.6)	(55.1)
Taxation	2.5	5.0
Decrease in profit for the period	(6.4)	(12.7)
Decrease in earnings per share		
Basic (cents)	(1.2)	(2.4)
Diluted (cents)	(1.2)	(2.4)

	As previously reported R'm	IFRS 16 adjustments R'm	As restated R'm
Impact on assets, liabilities and equity as at 30 June 2018			
Right-of-use assets	–	495.6	495.6
Lease liabilities	–	583.3	583.3
Trade and other payables	428.4	(34.8)	393.6
Deferred taxation	12.2	(14.8)	(2.6)
Equity	3 091.2	(38.1)	3 053.1
Impact on assets, liabilities and equity as at 31 December 2018			
Right-of-use assets	–	508.0	508.0
Lease liabilities	–	605.7	605.7
Trade and other payables	406.5	(36.0)	370.5
Deferred taxation	125.3	(11.8)	113.5
Retained earnings	3 171.9	(49.9)	3 122.0

R'm	**Unaudited 6 months to 30 June 2019**	Restated* Unaudited 6 months to 30 June 2018	Restated* Audited 12 months to 31 December 2018
2. Non-trading items			
Corporate action costs expensed/(reversed)	**(3.8)**	3.6	(2.0)
Foreign currency gain arising on corporate action	**6.2**	–	–
Gain on bargain purchase of acquisition	**5.5**	–	–
Insurance proceeds on previously reported fraud event	**5.4**	–	–
Impairment of intangible assets	**–**	(1.8)	(3.2)
Fair value adjustment/settlement of contingent consideration	**–**	(35.1)	(34.3)
	13.3	(33.3)	(39.5)

Corporate action costs relate to once-off legal and consulting costs incurred in relation to acquisitions.

The acquisition agreement for IIE MSA contained a settlement of an Australian Dollar denominated loan. Due to a delay between the acquisition effective date and the settlement date, a foreign exchange gain of R6.2 million was realised.

The net asset value of the assets and liabilities acquired in terms of the IIE MSA acquisition exceeded the consideration paid. This resulted in a gain on bargain purchase of R5.5 million.

The insurance claim relating to the previously reported fraud event was finalised. Proceeds of R5.4 million was received in settlement of the cash loss resulting from this event.

Intangible assets with a carrying value of R3.2 million relating to the brand values of Summit College and Kathstan College (in the schools division) were impaired during the prior year. The reason for the impairment was the strategic re-positioning and re-branding of these schools as Pinnacle College Kyalami and Pinnacle College Rynfield.

In terms of the sale of business agreement entered into between ADvTECH Limited and the previous owners of Maramedia Proprietary Limited ("the vendors"), the purchase consideration was to be determined based on the earnings for the year ended 31 December 2015. Initially the fair value of the contingent consideration was determined to be nil and was disclosed as a contingent liability. Based on an arbitration award in favour of the vendors, 2.2 million ADvTECH Limited shares and related dividends to the value of R34.3 million (fairly valued at R35.1 million as at 30 June 2018) was awarded in settlement of the contingent liability. As this adjustment falls outside the measurement period as defined by IFRS 3, it was therefore recognised in the prior year in the condensed consolidated statement of profit and loss.

R'm	**Unaudited 6 months to 30 June 2019**	Restated* Unaudited 6 months to 30 June 2018	Restated* Audited 12 months to 31 December 2018
3. Note to the condensed statement of cash flows			
Reconciliation of profit before taxation to cash generated from operations			
Profit before taxation	**339.9**	282.4	574.8
Adjust for non-cash IFRS and other adjustments (before taxation)	**(1.2)**	7.4	5.2
	338.7	289.8	580.0
Adjustments:	**248.2**	264.8	504.2
Depreciation, amortisation and impairment	**152.8**	141.6	285.9
Fair value/shares issued on settlement of contingent consideration	**–**	35.1	32.1
Net finance costs	**101.0**	88.3	187.8
Net loss on financial asset at fair value through profit and loss	**–**	–	4.2
Gain on bargain purchase of acquisition	**(5.5)**	–	(4.2)
Profit on disposal of subsidiary	**–**	–	(0.9)
Other non-cash flow items	**(0.1)**	(0.2)	(0.7)
Cash generated from operations	**586.9**	554.6	1 084.2

4. Business combination

4.1 IIE MSA (formerly Monash South Africa)

A 100% interest in Latiano 754 Proprietary Limited as well as the assets and liabilities of Monash South Africa Proprietary Limited were acquired (resulting in the operations of Monash South Africa being incorporated into the group as IIE MSA) on 1 April 2019 for consideration of R 436.0 million.

R'm	Unaudited 6 months to 30 June 2019
Fair value assets and liabilities acquired	
Property, plant and equipment	**430.4**
Current assets[1]	**52.3**
Cash and cash equivalents	**116.0**
Non-current liabilities	**(37.4)**
Current liabilities	**(119.8)**
Gain on bargain purchase	**(5.5)**
	436.0

Revenue of R69.2 million and profit after taxation of R4.2 million has been included in the condensed consolidated statement of profit or loss.

Revenue of R139.9 million and profit after taxation of R8.2 would have been recognised in the condensed consolidated statement of profit or loss if the acquisition was done at the beginning of the annual reporting period.

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

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

1 *Included in current assets are trade receivables with a gross fair value of R73.3 million. This equals the gross amount of contractual amounts receivable. A provision of R28.2 million has been recognised against the gross fair value at acquisition.*

5. Share information

R'm	Percentage increase	Unaudited 6 months to 30 June 2019	Restated Unaudited 6 months to 30 June 2018	Restated Audited 12 months to 31 December 2018
Number of shares in issue (million)		**546.6**	544.4	546.6
Number of shares in issue net of treasury shares (million)		**538.9**	535.6	538.9
Weighted average number of shares for purposes of basic earnings per share (million)		**538.9**	535.6	535.9
Weighted average number of shares for purposes of diluted earnings per share (million)		**538.9**	536.3	536.1
Net asset value per share including treasury shares (cents)	7%	**597.6**	560.8	571.2
Net asset value per share net of treasury shares (cents)	6%	**606.1**	570.0	579.3
Free operating cash flow before capex per share (cents)	13%	**139.7**	123.2	105.1
Gross dividends per share (cents)	0%	**15.0**	15.0	30.0

Commentary

Overview of results

The directors are pleased to announce satisfactory interim results for the period ending 30 June 2019. The diverse portfolio of the group allowed for a resilient performance in tough market conditions, with revenue increasing by 15% to R2.5 billion (2018: R2.2 billion). Operating profit increased by 6% to R428 million (2018: R404 million) impacted by restructuring costs and the cost of setting up Crawford International in Kenya, together with a decrease in operating profits in the resourcing division.

Higher average net borrowings, resulting primarily from the acquisition of IIE MSA (previously known as Monash South Africa), led to an increase in finance costs. However, normalised earnings for the period increased by 8% to R229 million (2018: R213 million) while normalised earnings per share increased by 7% to 42.5 cents (2018: 39.7 cents).

Cash generated by operating activities increased by 12% to R999 million (2018: R890 million) enabling funding of investments and capital expenditure of R534 million, payment of financing costs of R107 million, taxation of R114 million and dividends of R83 million. The debtors book continues to be well managed and has shown improvement in the period under review while fees received in advance and deposits at 30 June 2019 reflects a 19% increase compared to 30 June 2018.

The balance sheet remains sound and the borrowings are well within covenants with sufficient headroom to facilitate our strategic growth aspirations. Our disciplined capital allocation approach continues to prioritise investments that are expected to deliver strong organic growth and is aimed at creating a dynamic business, both locally and in the rest of Africa.

Schools division – Strong growth in the rest of Africa whilst increasing our presence in the mid-fee sector

The schools divisional revenue increased by 9% to R1 076 million (2018: R991 million). Strong growth was achieved in schools in the rest of Africa as Crawford International School in Kenya came onstream and the Makini Schools, which experienced several years of student numbers declining prior to being acquired, achieved positive growth. The muted performance in South Africa was impacted by the high levels of withdrawals owing to emigration and financial pressures, particularly in the premium schools. Revenue was also impacted by the closure of Trinityhouse Palm Lakes high school, together with the re-branding and re-positioning of Pinnacle College Kyalami and Pinnacle College Rynfield into the mid-fee sector. We are confident the re-positioning of these schools will benefit the group going forward and lead indicators are encouraging for 2020 enrolments.

Operating profit for South African schools increased by 2% to R175 million (2018: R172 million), partially impacted by once-off restructuring costs which form part of our efficiency improvement initiatives. The schools in the rest of Africa incurred an operating loss as Crawford International School in Kenya moves through the J-curve and Makini Schools incurred costs to improve academic quality, facilities and operational efficiencies. We are encouraged by the performance of these investments.

ADvTECH is the leading provider in the premium school sector with our established top-end portfolio of brands for which there is strong demand. However, the challenging South African socio-economic climate continues to affect their growth owing to high levels of withdrawals. Our focus is to ensure that our brands offer value to our customers and we continue to invest in enhancing our academic offering, improving our focus on customers and driving operational efficiencies. In 2020, Trinityhouse Glenvista will open in Johannesburg South and market response has been favourable.

As we seek to strengthen the resilience of our group, we see opportunities to expand our portfolio in the mid-fee sector. The re-positioning of Pinnacle College Kyalami and Pinnacle College Rynfield, together with Pinnacle College Waterfall and Pinnacle College Linden coming onstream in 2020, will increase our portfolio in this sector to 24 schools across 9 campuses nationally.

University/tertiary division – Excellent growth

The division continued to show excellent growth with both revenue and operating profit increasing by 20% to R1 038 million (2018: R868 million) and R245 million (2018: R204 million) respectively. The operating margin was maintained at 24%.

The strong organic growth was supplemented by the acquisition of IIE MSA. With the addition of 32 IIE MSA qualifications, The Independent Institute of Education (IIE) and ADvTECH's tertiary qualification suite now stands at 220 accredited courses, with a diverse range of offerings from vocational skills training to masters degrees. This, together with a student complement of over 40 000, entrenches the IIE's leadership position as SA's largest "private university" or private higher education institute.

Our offering will be expanded with the opening of Rosebank College campuses in Cape Town and Port Elizabeth in 2020. Capacity is also being increased at several of our Varsity College campuses to meet growing demand.

Resourcing division – Remains highly cash generative

The Mauritius-based business that operates outside South Africa continued to experience strong revenue growth, while the growth in operating profit was impacted by the investment in additional service offerings. The South African-based business saw placement volumes and operating profits decline, with the country experiencing reduced employer confidence and the highest levels of unemployment in around 15 years. However, the division remains highly cash-generative.

Declaration of interim dividend no 20

Following the recent acquisition of IIE MSA, together with the significant investment opportunities available to the group and the associated capital expenditure requires that the group considers cash preserving measures. This has previously been signalled by the board with a steady increase in dividend cover in recent reporting periods. Capital commitments amount to R1.4 billion and will largely be funded by way of debt. Taking these commitments into account, together with the continuing challenging economic environment, the board has decided it would be prudent and responsible to continue preserving cash and have therefore maintained the dividend pay-out during this high capital investment period.

An interim gross dividend of 15.0 cents (2018: 15.0 cents) per ordinary share has been announced in respect of the half year ended 30 June 2019.

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 12.0 cents per share, while it is 15.0 cents per share to those shareholders who are exempt from DT.

There are 546.6 million ordinary shares in issue. The total dividend amount payable is R82 million.

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

	2019
Publication of declaration and finalisation information	Thursday, 29 August
Last day to trade in order to participate in the dividend	Monday, 23 September
Trading commences ex-dividend	Wednesday, 25 September
Record date	Friday, 27 September
Payment date	Monday, 30 September

Share certificates may not be dematerialised or rematerialised between Wednesday, 25 September 2019 and Friday, 27 September 2019, both dates inclusive.

Prospects

The strategic rationalisation and organisational restructure in the schools division will have positive benefits for our business and stakeholders. We continue to undertake integration, consolidation and rationalisation to drive operational efficiencies and sharpen market focus while increasing our presence in the mid-fee sector.

The tertiary division remains well positioned and continues to increase its presence in the higher education sector.

In the current challenging socio-economic environment in South Africa, ADvTECH is exercising prudence in continuing to advance its strategic objectives of improving academic quality and access to our offerings, while driving operational and structural improvements to maximise efficiencies across the business.

On behalf of the board

Chris Boulle
Chairman

Roy Douglas
Chief executive officer

Didier Oesch
Group financial director

29 August 2019

Directors: CH Boulle* (Chairman), RJ Douglas (CEO), JDR Oesch (Financial), JS Chimhanzi*, BM Gourley*, JM Hofmeyr*, JD Jansen*, SC Masie*, KDM Warburton*, J Zimmermann*, SA Zinn* (*Non-executive)
Acting group company secretary: JDR Oesch **Registered office:** ADvTECH House, Inanda Greens, 54 Wierda Road West, Wierda Valley, Sandton 2196.
Transfer secretaries: Link Market Services South Africa (Pty) Ltd, Rennie House, 19 Ameshoff Street, Braamfontein 2017. **Sponsor and corporate advisors:** Bridge Capital Advisors (Pty) Ltd, 50 Smits Road, Dunkeld, Randburg, 2196.

SCHOOLS

TERTIARY DIVISION

RESOURCING DIVISION