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

PRELIMINARY AUDITED RESULTS

for the year ended
31 December 2019

↑10% STUDENT NUMBERS

↑16% REVENUE

↑18% PROFIT FOR THE YEAR

↑20% HEADLINE EARNINGS PER SHARE

↑8% NORMALISED EARNINGS PER SHARE

CONSISTENT TREND OF SATISFACTORY PERFORMANCE IN LINE WITH OUR GROWTH STRATEGY

Summarised consolidated statement of profit or loss

for the year ended 31 December 2019

R'm	Notes	Percentage increase	Audited 31 December 2019	Restated* Audited 31 December 2018
Revenue	2	16%	**5 108.0**	4 389.0
Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA)		8%	**1 173.6**	1 083.8
Operating profit before interest and non-trading items		8%	**869.1**	808.2
Non-trading items	3		**13.5**	(39.5)
Net finance costs			**(221.8)**	(192.0)
Interest earned			**5.2**	3.7
Finance costs incurred			**(167.4)**	(136.4)
Finance costs on lease liabilities			**(59.6)**	(59.3)
Profit before taxation		15%	**660.8**	576.7
Taxation			**(192.5)**	(180.6)
Profit for the year		18%	**468.3**	396.1
Profit for the year attributable to:				
Owners of the parent		22%	**469.4**	386.0
Non-controlling interests			**(1.1)**	10.1
			468.3	396.1
Earnings per share (cents)				
Basic		21%	**87.1**	72.0
Diluted		21%	**87.1**	72.0

* *The restatement relates to the adoption of IFRS 16. Refer to note 1.4.*

Headline and normalised earnings

for the year ended 31 December 2019

R'm	Percentage increase	Audited 31 December 2019	Restated* Audited 31 December 2018
Determination of headline earnings			
Profit for the year attributable to owners of the parent		**469.4**	386.0
Items excluded from headline earnings per share		**(5.7)**	(3.1)
Loss/(profit) on sale of property, plant and equipment		**0.5**	(0.7)
Profit on sale of subsidiary		**–**	(0.9)
Gain on bargain purchase of acquisition		**(6.1)**	(4.2)
Impairment of intangible assets		**–**	3.2
Taxation effects of adjustments		**(0.1)**	(0.5)
Headline earnings	21%	**463.7**	382.9
Headline earnings per share (cents)			
Basic	20%	**86.0**	71.4
Diluted	20%	**86.0**	71.4
Determination of normalised earnings			
Headline earnings		**463.7**	382.9
Items excluded from normalised earnings per share		**(4.5)**	40.5
Corporate action costs		**3.9**	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
Settlement of contingent consideration		**–**	34.3
Insurance proceeds (net of costs) on previously reported fraud event		**(5.1)**	–
Taxation effects of adjustments		**2.9**	–
Normalised earnings	8%	**459.2**	423.4
Normalised earnings per share (cents)			
Basic	8%	**85.2**	79.0
Diluted	8%	**85.2**	79.0

Normalised earnings is a non-IFRS measure and excludes the impact of certain non-operational income and expense items (such as corporate action costs, gain on bargain purchase, litigation and litigation settlements) from reported headline earnings. It is included to provide an additional basis on which to measure the group's normalised earnings performance.

Summarised consolidated statement of other comprehensive income

for the year ended 31 December 2019

R'm	Audited 31 December 2019	Restated* Audited 31 December 2018
Profit for the year	**468.3**	396.1
Other comprehensive income, net of income taxation		
Items that may be reclassified subsequently to profit or loss		
Exchange (loss)/gain on translating foreign operations	**(18.5)**	52.6
Total comprehensive income for the year	**449.8**	448.7
Total comprehensive income for the period attributable to:		
Owners of the parent	**451.1**	432.1
Non-controlling interests	**(1.3)**	16.6
	449.8	448.7

Summarised consolidated statement of financial position

as at 31 December 2019

R'm	Audited 31 December 2019	Restated* Audited 31 December 2018	Restated* Audited 31 December 2017
Assets			
Non-current assets	**6 973.3**	6 154.4	5 543.9
Property, plant and equipment	**4 803.1**	3 943.1	3 512.6
Proprietary technology systems	**80.9**	73.3	63.3
Right-of-use assets	**384.2**	442.6	428.9
Goodwill	**1 459.9**	1 465.6	1 305.3
Intangible assets	**197.1**	211.0	208.3
Deferred taxation assets	**40.5**	12.6	13.5
Investment in joint arrangement	**7.6**	6.2	–
Investment	**–**	–	12.0
Current assets	**602.9**	571.4	438.6
Trade and other receivables	**326.2**	261.8	288.4
Taxation	**39.0**	16.6	–
Other current assets	**67.2**	64.1	40.3
Bank balances and cash	**170.5**	228.9	109.9
Non-current assets held for sale	**67.8**	–	–
Total assets	**7 644.0**	6 725.8	5 982.5
Equity and liabilities			
Equity	**3 420.3**	3 123.7	2 829.3
Non-current liabilities	**2 414.5**	2 068.2	1 270.4
Long-term bank loans	**1 800.0**	1 500.0	751.5
Deferred taxation liabilities	**170.9**	114.2	101.4
Lease liabilities	**369.2**	381.1	368.5
Acquisition liabilities	**74.4**	72.9	49.0
Current liabilities	**1 809.2**	1 533.9	1 882.8
Current portion of long-term bank loans	**–**	5.7	12.2
Short-term bank loans	**880.1**	590.0	750.0
Current portion of lease liabilities	**116.3**	156.7	137.3
Trade and other payables	**438.8**	370.6	332.4
Taxation	**–**	–	6.3
Fees received in advance and deposits	**328.8**	362.5	431.3
Bank overdraft	**45.2**	48.4	213.3
Total liabilities	**4 223.7**	3 602.1	3 153.2
Total equity and liabilities	**7 644.0**	6 725.8	5 982.5

Summarised consolidated segmental report

for the year ended 31 December 2019

R'm	Percentage increase/ (decrease)	Audited 31 December 2019	Restated* Audited 31 December 2018
Revenue	16%	**5 108.0**	4 389.0
Schools	11%	**2 226.4**	2 008.8
– South Africa	8%	**2 022.2**	1 877.4
– Rest of Africa	55%	**204.2**	131.4
Tertiary	25%	**2 145.3**	1 718.5
Resourcing	11%	**740.7**	669.5
Intra group revenue		**(4.4)**	(7.8)
Operating profit before interest and non-trading items	8%	**869.1**	808.2
Schools	(2%)	**344.3**	352.3
– South Africa	3%	**357.5**	348.7
– Rest of Africa		**(13.2)**	3.6
Tertiary	20%	**495.5**	414.5
Resourcing	(29%)	**29.3**	41.4
Property, plant and equipment, proprietary technology systems, right-of-use assets and non-current assets held for sale	20%	**5 336.0**	4 459.0
Schools	10%	**3 771.6**	3 419.8
– South Africa	11%	**3 345.4**	3 016.4
– Rest of Africa	6%	**426.2**	403.4
Tertiary	53%	**1 545.9**	1 009.2
Resourcing	(38%)	**18.5**	30.0

Summarised consolidated statement of changes in equity

for the year ended 31 December 2019

R'm	Audited 31 December 2019	Restated* Audited 31 December 2018
Balance at beginning of the year before restatement#	**3 171.9**	2 866.1
Opening balance adjustment (IFRS 16)	**(48.2)**	(36.8)
Restated opening balance	**3 123.7**	2 829.3
Total comprehensive income for the year	**449.8**	448.7
Dividends declared to shareholders	**(170.9)**	(190.5)
Share-based payment expense	**2.7**	4.4
Share award expense under the management share incentive scheme (MSI)	**13.6**	2.8
Taxation effect of shares awarded under the management share incentive scheme (MSI)	**(1.0)**	(4.4)
Shares issued to settle contingent consideration	**–**	32.1
Share issue costs	**(0.1)**	–
Share options exercised	**2.5**	8.3
Non-controlling interest on disposal of subsidiary	**–**	(1.0)
Non-controlling interests arising on acquisitions	**–**	(6.0)
Balance at end of the year	**3 420.3**	3 123.7

Includes prior year restatement of R14.0 million relating to the adoption of IFRS 15.

Summarised consolidated statement of cash flows

for the year ended 31 December 2019

R'm	Note	Percentage increase	Audited 31 December 2019	Restated* Audited 31 December 2018
Cash flows from operating activities				
Cash generated from operations	4	10%	**1 192.1**	1 083.1
Movement in working capital			**(108.5)**	(66.8)
Cash generated by operating activities		7%	**1 083.6**	1 016.3
Net finance costs paid (inclusive of capitalised borrowing costs and finance costs on lease liabilities)			**(234.3)**	(197.8)
Taxation paid			**(223.8)**	(202.1)
Dividends paid			**(170.7)**	(190.8)
Net cash inflow from operating activities			**454.8**	425.6
Cash flows from investing activities				
Additions to property, plant and equipment			**(660.2)**	(533.2)
Additions to proprietary technology systems			**(20.5)**	(22.3)
Business combinations cash flows			**(320.0)**	(114.9)
Proceeds on disposal of property, plant and equipment			**2.1**	2.9
Disposal of subsidiary			**–**	4.0
Change in ownership of joint arrangement			**–**	6.0
Net cash outflow from investing activities			**(998.6)**	(657.5)
Cash flows from financing activities				
Increase in non-current bank loans			**300.0**	748.5
Settlement of current bank loans			**(595.7)**	(756.5)
Drawdowns of current bank loans			**880.1**	590.0
Repayment of lease liabilities			**(96.9)**	(78.0)
Cash received on exercise of share options			**2.4**	8.4
Net cash inflow from financing activities			**489.9**	512.4
Net (decrease)/increase in cash and cash equivalents			**(53.9)**	280.5
Cash and cash equivalents (net of bank overdraft) at beginning of the year			**180.5**	(103.4)
Net foreign exchange differences on cash and cash equivalents			**(1.3)**	3.4
Cash and cash equivalents (net of bank overdraft) at end of the year			**125.3**	180.5

Free operating cash flow before capex per share

for the year ended 31 December 2019

R'm	Percentage increase	Audited 31 December 2019	Restated* Audited 31 December 2018
Profit for the year		**468.3**	396.1
Adjusted for non-cash IFRS and other adjustments (after taxation)		**7.5**	5.1
Net operating profit after taxation – adjusted for non-cash IFRS and other adjustments		**475.8**	401.2
Depreciation, amortisation and impairment		**304.5**	278.8
Repayment of lease liabilities		**(96.9)**	(78.0)
Taxation adjustment on IFRS 16 leases		**(1.6)**	(5.7)
Settlement of contingent consideration		**–**	34.3
Other non-cash flow items (after taxation)		**0.4**	(0.5)
Operating cash flow after taxation	8%	**682.2**	630.1
Movement in working capital		**(108.5)**	(66.8)
Free operating cash flow before capex	2%	**573.7**	563.3
Free operating cash flow before capex per share (cents)	1%	**106.4**	105.1

Supplementary information

for the year ended 31 December 2019

R'm	Audited 31 December 2019	Audited 31 December 2018
Capital expenditure (inclusive of capitalised borrowing costs)	**704.6**	568.9
Capital commitments	**1 126.8**	1 901.1
Authorised by directors and contracted for	**363.8**	819.3
Authorised by directors and not yet contracted for	**763.0**	1 081.8
Anticipated timing of spend	**1 126.8**	1 901.1
0 – 2 years	**367.5**	1 170.6
3 – 5 years	**428.7**	360.7
more than 5 years	**330.6**	369.8

Notes to the summarised consolidated financial statements

for the year ended 31 December 2019

1.1 Statement of compliance

The summarised consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, and the requirements of the Companies Act of South Africa applicable to summarised financial statements. The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, and to also, as a minimum, contain the information required by IAS 34, Interim Financial Reporting. The accounting policies and methods of computations applied in the preparation of the consolidated financial statements, from which the summarised consolidated financial statements were derived, are in terms of IFRS and except as noted below in paragraph 1.4 are consistent with the accounting policies applied in the preparation of the previous consolidated financial statements.

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

Independent auditor's opinion

These summarised consolidated financial statements for the year ended 31 December 2019 have been audited by Deloitte & Touche, who expressed an unmodified opinion thereon (the auditor also expressed an unmodified opinion on the consolidated financial statements from which these summarised consolidated financial statements were derived). A copy of the auditor's report on the summarised consolidated financial statements and of the auditor's report on the consolidated financial statements are available for inspection at the company's registered office, together with the financial statements identified in the respective auditor's reports. The auditor's report does not necessarily cover all the information contained in this announcement. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's work, they should obtain a copy of their report together with the accompanying financial information from the company's registered office.

Any reference to future financial performance included in this announcement, has not been audited or reported on by the company's auditors.

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 year ended 31 December 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 summarised consolidated financial statements approximate their fair values.

All of the group's financial instruments are carried at amortised cost and are therefore not classified in terms of the fair value hierarchy.

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 of the date of initial applications;

– the use of onerous provision assessment under IAS 37: Provisions, contingent liabilities and contingent assets immediately prior to the date of initial application rather than impairment assessment of right-of-use assets under IAS 36: Impairment of assets; and

– the exclusion of initial direct costs of obtaining a lease from the measurement of right-of-use assets at the date of initial application.

R'm	Restated Audited 31 December 2018
Impact on profit or loss	
Rental expense	139.7
Depreciation	(96.2)
Finance costs on lease liabilities	(59.3)
Taxation	4.4
Decrease in profit for the year	(11.4)
Decrease in earnings per share (cents)	
Basic	(2.2)
Diluted	(2.1)

	As previously reported R'm	IFRS 16 Adjustments R'm	As restated R'm
Impact on assets, liabilities and equity as at 1 January 2018			
Right-of-use assets	–	428.9	428.9
Lease liabilities – current and non-current	–	505.8	505.8
Trade and other payables	365.8	(33.4)	332.4
Deferred taxation liabilities	108.1	(6.7)	101.4
Equity	2 866.1	(36.8)	2 829.3
Impact on assets, liabilities and equity as at 31 December 2018			
Right-of-use assets	–	442.6	442.6
Lease liabilities – current and non-current	–	537.8	537.8
Trade and other payables	406.5	(35.9)	370.6
Deferred taxation liabilities	125.3	(11.1)	114.2
Equity	3 171.9	(48.2)	3 123.7

The impact on the prior year statement of cash flows was a reclassification of a cash outflow of R 78.0 million from operating activities to financing activities.

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

2. 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 summarised consolidated segmental report):

R'm	Audited 31 December 2019	Audited 31 December 2018
Education services	**4 371.7**	3 727.3
– Tuition – Schools	**2 266.2**	2 060.4
– Tuition – Tertiary	**2 148.5**	1 718.5
– Bursaries and discounts	**(197.6)**	(179.5)
Net tuition fees	**4 217.1**	3 599.4
Boarding fees	**33.3**	26.3
Enrolment and application fees	**57.1**	65.2
Extramural activities and aftercare	**57.8**	32.4
Education material and uniforms	**6.4**	4.0
Placement fees	**740.7**	669.5
Intra group revenue	**(4.4)**	(7.8)
	5 108.0	4 389.0

R'm	Audited 31 December 2019	Restated Audited 31 December 2018

3. Non-trading items

Corporate action costs	**(3.9)**	(2.0)
Foreign currency gain arising on corporate action	**6.2**	–
Gain on bargain purchase of acquisition	**6.1**	4.2
Insurance proceeds (net of costs) on previously reported fraud event	**5.1**	–
Impairment of intangible assets	**–**	(3.2)
Settlement of contingent consideration	**–**	(34.3)
Net loss on financial asset at fair value through profit and loss	**–**	(4.2)
	13.5	(39.5)

Corporate action costs relate to 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 R6.1 million. The prior year gain on bargain purchase and net loss on financial asset at fair value through profit and loss was due to the changes in shareholding of Star Schools Proprietary Limited.

The insurance claim relating to the previously reported fraud event was finalised. Insurance proceeds (net of costs) of R5.1 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 summarised consolidated statement of profit and loss.

R'm	Audited 31 December 2019	Restated* Audited 31 December 2018

4. Note to the summarised statement of cash flows

Reconciliation of profit before taxation to cash generated from operations		
Profit before taxation	**660.8**	576.7
Adjusted for non-cash IFRS and other adjustments (before taxation)	**10.6**	5.1
	671.4	581.8
Adjustments	**520.7**	501.3
Depreciation, amortisation and impairment	**304.5**	278.8
Shares issued on settlement of contingent consideration	**–**	32.1
Net finance costs	**221.8**	192.0
Net loss on financial asset at fair value through profit and loss	**–**	4.2
Gain on bargain purchase of acquisition	**(6.1)**	(4.2)
Profit on disposal of subsidiary	**–**	(0.9)
Loss/ (profit) on disposal of property, plant and equipment	**0.5**	(0.7)
Cash generated from operations	**1 192.1**	1 083.1

5. Business combination

IIE MSA (formerly Monash South Africa)

A 100% interest in Latiano 754 Proprietary Limited as well as the assets and liabilities of Monash South Africa Proprietary Limited were acquired (resulting in the ability to direct the operations of Monash South Africa which was rebranded as IIE MSA) on 1 April 2019 for consideration of R436.0 million. The fair value of the net assets acquired exceeded the consideration resulting in a gain on bargain purchase.

R'm	Audited 31 December 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	**(36.9)**
Current liabilities	**(119.7)**
Gain on bargain purchase	**(6.1)**
	436.0

Revenue of R195.0 million and profit after taxation of R7.0 million has been included in the summarised statement of profit or loss.

Revenue of R273.7 million and profit after taxation of R16.8 would have been recognised in the summarised 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 provisional and 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.

6. Share information

	Percentage increase/ (decrease)	Audited 31 December 2019	Restated* Audited 31 December 2018
Number of shares in issue (million)		**548.8**	546.6
Number of shares in issue net of treasury shares (million)		**541.4**	538.9
Weighted average number of shares for purposes of basic earnings per share (million)		**539.0**	535.9
Weighted average number of shares for purposes of diluted earnings per share (million)		**539.0**	536.1
Net asset value per share including treasury shares (cents)	9%	**623.2**	571.5
Net asset value per share net of treasury shares (cents)	9%	**631.8**	579.6
Free operating cash flow before capex per share (cents)	1%	**106.4**	105.1
Gross dividends per share (cents)	(50%)	**15.0**	30.0

Commentary

Overview of results

The directors are pleased to announce satisfactory results for the year ending 31 December 2019 continuing the trend of consistent performance in line with our growth strategy.

Over the past five years, the scale of our business has increased significantly. During this period, school student numbers have risen by 128%, tertiary student numbers have doubled, and the group's revenue has increased by 164%. Good progress continues to be made on our numerous initiatives to improve operational efficiencies and effectiveness following this period of significant expansion and growth. Additional initiatives focused on the brand value proposition and optimising student enrolments have added to the positive momentum and are reflected in the group's organic growth that has continued into 2020.

Revenue increased by 16% to R5.1 billion (2018: R4.4 billion), underlining the continuing demand for quality education and the growth opportunities that exist despite a depressed economic environment. Operating profit, that increased by 8% to R869 million (2018: R808 million), was impacted by restructuring costs for the delivery of efficiency improvements (including the integration of IIE MSA, previously Monash South Africa), set up costs for Crawford International School in Kenya, and a decrease in operating profits in the resourcing division.

Higher average net borrowings, resulting primarily from the acquisition of IIE MSA and our capital investment programme, led to an increase in finance costs. However, normalised earnings for the period increased by 8% to R459 million (2018: R423 million) while normalised earnings per share increased by 8% to 85.2 cents (2018: 79.0 cents).

Cash generated by operating activities increased by 7% to R1 084 million (2018: R1 016 million). This, together with financing inflows, enabled funding of investments and capital expenditure of R1 001 million, payment of financing costs of R234 million, taxation of R224 million and dividends of R171 million.

The balance sheet remains sound and the borrowings are well within covenants. Our disciplined approach to capital allocation will prioritise investments that maximise value from our current assets and that deliver strong organic growth. Capital expenditure is expected to slow down following an extensive expansion programme as we shift our focus to maximising the returns on these investments.

Debtors remain well managed with an increased emphasis on collections in these difficult times. This is despite a continued decrease in fees and deposits received in advance as a greater proportion of parents selected the monthly payment terms or opted to pay fees after the year-end. However, receipts after year-end have been significantly higher than in previous years because fees are still received within the agreed payment terms, a further testament to the discipline of our systems.

Group enrolments end February (unaudited)

Enrolments:	Feb 2016	Feb 2017	Feb 2018	Feb 2019	% Increase	Feb 2020	% Increase
Schools	24 199	26 713	27 408	30 827	12%	**32 370**	5%
Tertiary: Full qualifications	29 138	33 463	36 136	39 629	10%	**44 975**	13%
Subtotal:	53 337	60 176	63 544	70 456	11%	**77 345**	10%
Tertiary: Vocational training*			24 364	17 122	(30%)	**16 941**	(1%)
Total group enrolments:			87 908	87 578	0%	**94 286**	8%

** Oxbridge Academy and The University of Africa have continual enrolment cycles. Enrolments as at previous year-end.*

Schools division – Strong growth in the rest of Africa and a significant increase in our presence in the mid-fee sector

Overall, the schools divisional revenue increased by 11% to R2 226 million (2019: R2 009 million) and operating profit for South African schools increased by 3% to R358 million (2018: R349 million). Our investments in Kenya, following good enrolment growth, has resulted in revenue in the rest of Africa increasing by 55%. However, at this point in time, margins have decreased as we progress through the "J" curve. With the strong enrolment growth continuing into 2020, these investments are expected to make a positive contribution in the next reporting period.

Sharpened market focus and improved processes and practices has led to encouraging organic enrolment growth of 5% for 2020, despite continued consumer financial pressure and high levels of emigration. We have substantially increased our presence in the mid-fee sector with the opening of two new campuses, Pinnacle College Waterfall and Pinnacle College Linden, while also repositioning two existing campuses, Pinnacle College Rynfield and Pinnacle College Kyalami (formerly Kathstan and Summit College), all of which met or exceeded their targeted enrolment numbers. This follows on the success and strong enrolment growth of our existing schools in this sector.

In addition, Trinityhouse Glenvista, a premium priced school, was opened and has enjoyed a successful start with student numbers well in excess of our forecasts. As a result, it is anticipated that this school will avoid the "J" curve and be profitable in its first year of operation.

During 2019, our students continued to deliver excellent academic results. Overall, 1 582 matric candidates achieved 2 910 distinctions with a 100% IEB pass rate, while 96% of our IEB students achieved a bachelor pass, and averaged 2.2 distinctions per student.

Following a year of investment and restructuring to better position our schools in the rest of Africa, the outlook is positive. Enrolment growth has been ahead of expectation at Crawford International School in Kenya, and they are expected to move out of the "J" curve in 2020, a mere 15 months after opening. Gaborone International School in Botswana continues to perform exceptionally well, while Makini schools in Kenya have returned to growth following the restructuring and investment programme undertaken in the current year.

University/tertiary division – Continuing excellent performance due to the quality of our academic offering

ADvTECH's tertiary division again performed exceptionally well, with more and more students electing to further their education at our leading brands because of our growing reputation for providing a quality academic offering and producing work-ready graduates. The division enjoyed another strong enrolment season in 2020, achieving 13% student growth.

Revenue increased by 25% to R2 145 million (2018: R1 719 million) and operating profit increased by 20% to R496 million (2018: R415 million) respectively, with the operating margin being impacted slightly by the integration of the IIE MSA and the associated restructuring costs.

The Independent Institute of Education (IIE) and ADvTECH's tertiary qualification suite now stand at 197 accredited courses, with a diverse range of offerings from undergraduate programmes to Masters degrees. This, together with a student complement approaching 45 000, entrenches the IIE's leadership position as SA's leading "private university". With our focus firmly on outstanding teaching and learning practices, we benchmark against the highest possible local and international standards. The IIE has a well-established central academic body, with a 15-year track record of providing academic leadership and curriculum and qualification development that support our multi-channel modes of delivery.

Our institutions deliver instructional support to full-time, part-time, distance and blended learning students as we aim to be able to support students at any time, in any place and through any mode of their choosing. Continuing the rollout of our successful Rosebank College Digitally Enabled campuses, we launched a new campus in Port Elizabeth in 2020 and again, this opening has exceeded our enrolment target. In addition, we launched a new Rosebank College Mega Campus in Cape Town and have enjoyed a very positive response. These developments, together with the acquisition and integration of IIE MSA and the continued demand to study at our brands, bodes well for the continuing growth of our tertiary business.

Resourcing division – Remains highly cash generative and alternative markets payoff

Resourcing continued to hold their own and deliver solid results despite the low growth economy and the high levels of unemployment. Overall placements increased by 3% with our Mauritius-based business that operates outside South Africa continuing to experience strong revenue growth. In South Africa, the continuing challenging economic conditions have prompted our focus on increasing our presence in the temporary placements sector as the permanent placements sector continues to decline.

Directorate

BM Gourley has retired as a board member with effect from 16 March 2020. KN Piki was appointed as Group company secretary with effect from 24 March 2020.

Dividend and share buy-back considerations

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

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

Response to COVID-19

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

Prospects

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

In the current challenging socio-economic environment in South Africa, ADvTECH is exercising prudence in allocating capital by prioritising investments to maximise returns and to create a dynamic business, both locally and in the rest of Africa.

The tertiary division remains well positioned to continue to perform strongly and the integration of IIE MSA has progressed well. Despite a declining local market, our resourcing division has performed well with the success of its strategy to explore markets outside of South Africa. The restructuring and rationalisation of the schools division is starting to deliver the anticipated benefits and together with the strong organic enrolment growth achieved for 2020 in both the schools and tertiary divisions, the group is well positioned to deliver a solid performance in the year ahead. Whilst we are well positioned, the rapidly developing COVID-19 broader impact creates uncertainty. We will continue to be vigilant in monitoring the impact on our people and business.

On behalf of the board

Chris Boulle
Chairman

Roy Douglas
Chief executive officer

Didier Oesch
Group commercial director and chief financial officer

23 March 2020

SCHOOLS

TERTIARY DIVISION

RESOURCING DIVISION