Preliminary audited results

FOR THE YEAR ENDED 31 DECEMBER 2021

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

HIGHLIGHTS

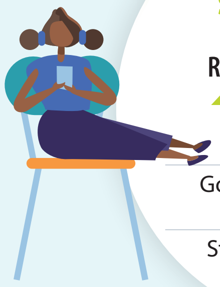
Strong results reflect a trend of consistent performance delivery

- ↑8% REVENUE (2020: 8%)
- ↑22% OPERATING PROFIT (2020: 5%)
- ↑33% HEADLINE EARNINGS PER SHARE (2020: 6%)
- ↑35% NORMALISED EARNINGS PER SHARE (2020: 5%)
- ↑21% CASH GENERATED BY OPERATING ACTIVITIES (2020: 21%)
- ↑32% FREE OPERATING CASHFLOW BEFORE CAPEX (2020: 39%)
- ↑31.0 cents FINAL DIVIDEND PER SHARE (2020: 20.0 cents)

➡ PROVEN STRATEGY WITH A ROBUST, RESILIENT AND SUSTAINABLE BUSINESS MODEL
➡ GOOD ENROLMENT GROWTH
➡ STRONG FINANCIAL PERFORMANCE

"ADvTECH has a financially sound business model which has proven its robust and resilient nature as it has delivered outstanding results even in tough economic times"

Roy Douglas, Group CEO



SCHOOLS SOUTH AFRICA

Revenue	Operating profit
↑4%	↑10%

Good results delivered with zero fee increase

Strong enrolment growth for 2022

SCHOOLS REST OF AFRICA

Revenue	Operating profit
↑36%	R47 million

Strong academic results

Exciting growth in student numbers

Showing profit and a good return on investment

Underscoring the viability of our investments giving confidence for further expansion

TERTIARY / UNIVERSITY DIVISION

The IIE is SA's leading "private university"

Revenue	Operating profit
↑4%	↑13%

Well established brands with respected value offering

Quality academic offering with multi-modes of delivery

RESOURCING DIVISION

Revenue	Operating profit
↑20%	R39 million

Profit recovery after COVID-19 disruption

The strategy to expand into the rest of Africa delivering good results

Growing additional business segments

Increase market share in SA in a tough environment

FEATURES CONTRIBUTING TO OUR SUCCESS

- Unrelenting focus on academic excellence central to our strategy
- Determination to lead in the best teaching and learning practices
- Clear focus on delivering value to our customers
- Comprehensive range of quality education programmes
- Multi-mode delivery methods, quality education available at any time and at any place
- Agile and adaptive business model
- Improved systems, drive for operational effectiveness and efficiencies
- Strong cash generation and sound balance sheet

PROSPECTS

Ongoing demand for quality education

Building off a solid platform, the group is well positioned to continue to deliver sustainable earnings growth

Commentary

Strong overall performance reflecting commitment to excellence

The directors are pleased to announce strong results for the year ended 31 December 2021, continuing the group's trend of delivering a consistent performance that reflects the quality of our assets and robustness of the business model.

Central to our strategy, and fundamental to our business's success, is our commitment to academic excellence combined with a clear focus on delivering value to our customers. The comprehensive range of our offering, flexible delivery methods, improved systems and our ability to seamlessly transition between platforms, enabled the uninterrupted delivery of quality education in a challenging and changing environment. Our broad educational offering, which includes market leading pastoral support, is available at any time, in any place and through our students' preferred mode of delivery, either in person, hybrid or online. This has proven to be a differentiating factor and a competitive advantage.

The group has continuously improved through specific initiatives that include revised structures, investing in systems, enhanced technological capability and strong financial management. These initiatives contributed to our ability to adapt to the circumstances created by the pandemic and, at the same time, sustain a high level of performance. Our new schools are ahead of the planned J-curve and appropriate capital expenditure has been allocated to projects that are demonstrating potential.

The results of our unrelenting focus on enhancing our value proposition, outstanding academic delivery, driving operational efficiencies and to provide value to our students and their parents, are evident in the continued enrolment growth.

Enrolments	Feb 2018	Feb 2019	Feb 2020	Feb 2021	**Feb 2022**	Feb 2021 vs Feb 2022 % increase
Schools: South Africa	25 443	25 448	26 393	27 334	**29 599**	8%
Schools: rest of Africa	1 965	5 379	5 977	6 569	**7 203**	10%
Schools division	27 408	30 827	32 370	33 903	**36 802**	9%
Tertiary: full qualifications	36 136	39 629	44 975	45 647	**47 539**	4%
Total group enrolments	63 544	70 456	77 345	79 550	**84 341**	6%

Strong financial performance

Strong cash generation and sound balance sheet

The group's financial performance clearly demonstrates the outcome of our sound business model, clear market focus and continued emphasis on effectiveness and efficiencies.

Group revenue grew by 8% to R5.9 billion (2020: R5.5 billion) for the year to 31 December 2021, despite no fee increases in schools while tertiary implemented below inflation increases. Operating profit increased by 22% to R1 108 million (2020: R908 million) with group operating margins improving to 18.7% (2020: 16.5%) due to the operating leverage resulting from enrolment growth, a significant improvement in collections and the continued focus on efficiency improvements.

Net finance costs reduced to R161 million (2020: R205 million) as a result of the lower net borrowings and interest rates. Together with the strong operating result, this contributed to normalised earnings for the year increasing by 35% to R656 million (2020: R486 million) while normalised earnings per share also increased by 35% to 121.5 cents (2020: 90.2 cents) per share.

The continued focus on improving our processes, through our group shared services initiative, together with more stringent credit management practices, has resulted in a significant improvement in collections. Gross trade receivables reduced to R565 million (2020: R609 million) with both Schools South Africa and Schools rest of Africa's gross trade receivables having reduced by 40% compared to 31 December 2020, while Tertiary gross trade receivables increased by 1% compared to a 4% increase in their revenue. This has resulted in credit losses for the year reducing to R117 million (2020: R264 million). The credit loss allowance at year-end amounted to R321 million (2020: R376 million) representing a 57% (2020: 62%) coverage of gross trade receivables.

Cash generated by operating activities increased by 21% to R1.6 billion (2020: R1.3 billion). This enabled the funding of investments and capital expenditure of R351 million, payment of financing costs of R158 million, dividends of R224 million, taxation of R309 million, repayment of lease liabilities of R94 million and the net settlement of debt amounting to R451 million. This, again, emphasises the inherent cash generating ability of our business.

Capital expenditure focused on increasing site capacity to meet demand, acquiring equipment to enhance our delivery of online and hybrid tuition, and enhancing business systems to enable the standardisation of processes across the group and to allow for further efficiency improvements.

Net borrowings, excluding lease liabilities, reduced to R1.5 billion (2020: R2.1 billion) at year-end.

Operational review

Schools South Africa

Solid performance by providing quality education through a comprehensive portfolio of brands

Our focus on academic excellence was particularly evident in 2021 as our students continued to achieve excellent results despite the pandemic disruptions. Our IEB matric candidates achieved an average of 2.1 distinctions per candidate, with a 99% pass rate and 91% bachelor degree pass rate.

Revenue increased by 4% to R2.2 billion (2020: R2.1 billion) and operating profit increased by 10% to R413 million (2020: R376 million) with the operating margin improving from 17.8% to 18.9%.

Our restructuring effort and initiatives that focused on eliminating wastage and duplication of effort allowed us to sharpen our quality offering and to forego a fee increase while still improving the operating margin. Both premium and mid-fee brands performed well, while Evolve Online School was launched successfully. Enrolments continued to climb throughout the year and extramural and aftercare showed a recovery in the second half of the year.

The continued focus on our brand portfolio alignment, clear value propositions and improved attention to customer service has resulted in further enrolment growth in 2022. All of our brands, including the premium brands, have shown growth which is testament to the recognition of ADvTECH's excellence in education.

Schools building capacity	Feb 2018	Feb 2019	Feb 2020	Feb 2021	**Feb 2022**
Students enrolled ('000)	27.4	30.8	32.4	33.9	**36.8**
Existing building capacity ('000)	33.0	38.2	41.2	41.5	**44.5**
% Existing building capacity utilised	83%	81%	79%	82%	**83%**
Ultimate capacity	45.2	54.8	56.8	56.8	**56.8**
% of ultimate capacity utilised	61%	56%	57%	60%	**65%**

Schools rest of Africa

Strong performance underscoring the viability of our investments

All of the schools operated by ADvTECH outside of South Africa have experienced good enrolment growth, are operationally sound and are recording both a higher profitability and a good return on investment. Revenue increased by 36% to R268 million (2020: R197 million) and an operating profit of R47 million was achieved (2020: loss of R10 million). The operating margin of 17.7% is on par with schools operated by ADvTECH in South Africa and is expected to improve further.

Gaborone International School (GIS) continues to perform exceptionally well with outstanding enrolment growth and market leading academic results. GIS is the largest high school in the ADvTECH group by number of enrolments and achieved top academic results with their distinction rate in the top two high schools in the group. The students averaged 3.3 distinctions per candidate and a 100% pass rate in the International General Certificate of Secondary Education (IGCSE) exams. The quality of the offering has led to demand in excess of capacity and capital expenditure to increase capacity for an additional 450 students and the development of a state-of-the-art science and technology centre has been approved.

Crawford International in Kenya has made an operating profit in their third year of operation with continued strong growth. We are pleased that more than 67% of the final year students completing their A-Level qualification at the school have already been accepted into international universities in the US, UK, Spain and Hong-Kong, with most students being awarded full bursaries as well. The school will increase its capacity in line with the ongoing growing demand.

Makini Schools in Kenya has returned to profitability following the significant losses that they incurred due to COVID-19 disruptions in the prior year. The Cambridge International Curriculum is now being offered, together with the national curriculum, as an additional academic offering due to strong demand.

We continue to build scale with further enrolment growth of 10% in 2022, which underscores the viability of our investments in the rest of Africa.

Tertiary/University division

Continued growth due to the quality of our academic offering and multi-mode of delivery

Revenue increased by 4% to R2.4 billion (2020: R2.3 billion) and operating profit increased by 13% to R609 million (2020: R539 million) with operating margin improving from 23.0% to 25.0%.

Face-to-face enrolments continued to grow despite a severely disrupted enrolment and registration cycle due to the delayed release of the 2020 matric results. Our online offering also saw good enrolment growth, thereby reaffirming our capacity to deliver regardless of delivery mode.

Varsity College Cape Town moved to new premises in Newlands, to allow for capacity increases and an improved student life experience in line with the brand promise and growing demand.

A building is in the process of being acquired adjacent to the Rosebank College Pretoria CBD campus in order to consolidate the Sunnyside campus and create additional capacity.

Resourcing division

Profit recovery after COVID-19 disruption

The strategy to expand into the rest of Africa continues to pay dividends and the division continues to increase its presence and number of placements. In South Africa, we continued to increase market share in a tough environment. This, together with good cost controls, has allowed the South African business to return to profitability.

Revenue for the division increased by 20% to R1 018 million (2020: R848 million) and an operating profit of R39 million (2020: R3 million) was achieved. The dual focus on permanent and contracting placements contributed to the sustainability of the business, both locally and in the rest of Africa.

Leadership changes

The following changes to the non-executive directors on the board occurred:

- We welcomed Clive Thomson, who was appointed to the board effective 12 March 2021, Monde Nkosi, who was appointed to the board effective 1 April 2021, and Sybile Lazar, who was appointed to the board effective 1 October 2021.
- Dr Shirley Zinn retired as lead independent non-executive director, effective 31 December 2021. She also stepped down from the Remuneration committee as chair and member and as member of the Nominations and Transformation, Social and Ethics committees; and
- Following Dr Shirley Zinn's retirement, Keith Warburton was appointed as the lead independent non-executive director.

Declaration of final dividend no. 23

Following a period of significant investment, the group is now benefiting from these investment returns. The growth trend and good cash generation is expected to continue, which together with a sound balance sheet and significantly reduced net borrowings, has given the board confidence to re-instate the payment of dividends at a similar cover ratio as was in place prior to the economic disruption caused by the COVID-19 pandemic. Therefore, the board is pleased to announce a final gross dividend declaration of 31.0 cents (2020: 20.0 cents) per ordinary share in respect of the year ended 31 December 2021.

This brings the full year dividend to 50.0 cents (2020: 20.0 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 24.8 cents per share, while net amount per share is 31.0 cents for those shareholders who are exempt from DT.

There are 554 459 991 ordinary shares in issue; the total dividend amount payable is R171.9 million. The salient dates applicable to the dividend referred to above are tabled below.

	2022
Declaration of dividend by the board	**Thursday, 24 March**
Announcement of annual results for 2021 on SENS	**Monday, 28 March**
Last day to trade in order to participate in the dividend	**Monday, 11 April**
Trading commences ex-dividend	**Tuesday, 12 April**
Record date	**Thursday, 14 April**
Dividend payment date	**Tuesday, 19 April**
Annual general meeting (AGM)	**Thursday, 26 May**

Share certificates may not be dematerialised and rematerialised between Tuesday, 12 April 2022, and Thursday, 14 April 2022, both days inclusive.

Prospects

Solid base forming a competitive advantage and the ability to leverage scale

We have made good progress in strengthening our market position within our portfolio of brands in both the schools and tertiary divisions. This, combined with our focus on delivering real value in the provision of quality education, has enabled us to enjoy good growth in student enrolments over the past few years and we are determined to continue with this approach so as to optimise our performance in both South Africa and the rest of Africa.

Our revised structures and improved systems have not only realised efficiency benefits but have enabled us to be agile and responsive in dealing with both unforeseen challenges and a difficult socio-economic environment.

The inherent strong cash generation of our business model has further strengthened our balance sheet and will enable us to invest in areas of opportunity with confidence.

We believe that the ADvTECH Group is uniquely positioned to leverage the advantages of our brands, structures, systems and financial strength to benefit from the growth in demand for education that is anticipated to continue both in South Africa and the rest of Africa.

On behalf of the board

Chris Boulle
Chairman

Roy Douglas
Chief Executive Officer

Didier Oesch
Group Commercial Director and Chief Financial Officer

28 March 2022

Summarised consolidated statement of profit or loss

for the year ended 31 December 2021

R'm	Notes	Percentage increase	Audited 31 December 2021	Audited 31 December 2020
Revenue	2	8%	**5 917.2**	5 499.2
Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA)		13%	**1 422.8**	1 254.5
Operating profit before interest and non-trading items		22%	**1 108.3**	908.1
Non-trading items#	3		**12.2**	(28.8)
Net finance costs			**(161.4)**	(204.8)
Interest earned			**7.7**	2.3
Finance costs incurred			**(102.1)**	(146.5)
Finance costs on lease liabilities			**(67.0)**	(60.6)
Profit before taxation		42%	**959.1**	674.5
Taxation			**(279.7)**	(209.0)
Profit for the year		46%	**679.4**	465.5
Profit for the year attributable to:				
Owners of the parent		44%	**664.9**	461.1
Non-controlling interests			**14.5**	4.4
			679.4	465.5
Earnings per share (cents)*				
Basic		44%	**123.1**	85.5
Diluted		43%	**121.8**	85.3

 # Profit on disposal of property, plant and equipment has been reclassified as a non-trading item due to the non-recurring nature of these transactions. The comparative results have been re-presented with a corresponding adjustment made to operating profit before interest and non-trading items in the summarised consolidated statement of profit or loss above and the summarised consolidated segmental report below.

** The number of normal and diluted treasury shares in issue have been restated. Refer to note 8 for more information.*

Headline and normalised earnings

for the year ended 31 December 2021

R'm	Percentage increase	Audited 31 December 2021	Audited 31 December 2020
Determination of headline earnings			
Profit for the year attributable to owners of the parent		**664.9**	461.1
Items excluded from headline earnings per share		**(8.4)**	33.0
Profit on disposal of property, plant and equipment		**(11.3)**	(1.4)
Profit on right-of-use assets from early termination of leases		**(0.4)**	–
Loss on disposal of subsidiaries		**–**	6.7
Impairment of property, plant and equipment		**–**	11.1
Impairment of intangible assets		**–**	24.9
Taxation effects of adjustments		**3.3**	(8.3)
Headline earnings	33%	**656.5**	494.1
Headline earnings per share (cents)*			
Basic	33%	**121.6**	91.6
Diluted	32%	**120.3**	91.4
Determination of normalised earnings			
Headline earnings		**656.5**	494.1
Items excluded from normalised earnings per share		**(0.5)**	(7.8)
Corporate action (income)/costs		**(0.5)**	0.5
Write-off of deferred taxation assets		**–**	4.8
Gain on settlement of contingent consideration		**–**	(13.0)
Taxation effects of adjustments		**–**	(0.1)
Normalised earnings	35%	**656.0**	486.3
Normalised earnings per share (cents)*			
Basic	35%	**121.5**	90.2
Diluted	34%	**120.2**	90.0

Normalised earnings is a non-IFRS measure which is included to provide an additional basis on which to measure the group's normalised earnings performance. It excludes the impact of certain operational income and expense items that are not from the day-to-day operations of the business. In the current year this includes an income made on adjustment of the purchase price of a prior year acquisition. In the prior year it included legal and other corporate action costs, the gain on settlement of contingent consideration and the write-off of deferred taxation assets in certain subsidiaries.

Summarised consolidated statement of other comprehensive income

for the year ended 31 December 2021

R'm	Audited 31 December 2021	Audited 31 December 2020
Profit for the year	**679.4**	465.5
Other comprehensive income, net of income taxation		
Items that may be reclassified subsequently to profit or loss		
Exchange gain/(loss) on translating foreign operations	**30.1**	(15.1)
Total comprehensive income for the year	**709.5**	450.4
Total comprehensive income for the year attributable to:		
Owners of the parent	**693.3**	445.8
Non-controlling interests	**16.2**	4.6
	709.5	450.4

Summarised consolidated statement of financial position

as at 31 December 2021

R'm	Note	Audited 31 December 2021	Audited 31 December 2020
Assets			
Non-current assets		**7 437.5**	7 080.8
Property, plant and equipment		**5 035.0**	4 854.9
Proprietary technology systems		**111.2**	106.5
Right-of-use assets		**612.4**	442.9
Goodwill		**1 461.2**	1 452.4
Intangible assets		**156.0**	162.2
Deferred taxation assets		**53.8**	53.9
Investment in joint venture		**7.9**	8.0
Current assets		**620.9**	511.1
Inventories		**10.4**	17.4
Trade and other receivables	4	**293.4**	270.3
Taxation		**36.3**	7.0
Prepayments		**35.8**	34.7
Bank balances and cash		**245.0**	181.7
Non-current assets held for sale		**8.6**	48.8
Total assets		**8 067.0**	7 640.7
Equity and liabilities			
Equity		**4 409.1**	3 867.8
Non-current liabilities		**1 392.3**	1 830.0
Long-term bank loans		**600.0**	1 200.0
Deferred taxation liabilities		**152.1**	152.6
Lease liabilities		**591.9**	427.3
Acquisition liabilities		**48.3**	50.1
Current liabilities		**2 265.6**	1 942.9
Current portion of long-term bank loan		**600.0**	600.0
Short-term bank loans		**591.4**	441.2
Current portion of lease liabilities		**165.8**	137.7
Trade and other payables		**538.6**	447.1
Current portion of acquisition liabilities		**7.3**	3.8
Fees received in advance and deposits		**360.1**	310.8
Shareholders for capital distribution		**0.8**	0.8
Shareholders for dividend		**1.6**	1.5
Total liabilities		**3 657.9**	3 772.9
Total equity and liabilities		**8 067.0**	7 640.7

Summarised consolidated segmental report

for the year ended 31 December 2021

R'm	Percentage increase/ (decrease)	Audited 31 December 2021	Audited 31 December 2020
Revenue	8%	**5 917.2**	5 499.2
Schools	6%	**2 457.6**	2 311.2
– South Africa	4%	**2 189.6**	2 114.3
– Rest of Africa	36%	**268.0**	196.9
Tertiary	4%	**2 441.6**	2 343.6
Resourcing	20%	**1 018.0**	848.2
– South Africa	24%	**226.3**	183.0
– Rest of Africa	19%	**791.7**	665.2
Intra group revenue		**–**	(3.8)
Operating profit before interest and non-trading items#	22%	**1 108.3**	908.1
Schools	26%	**460.2**	366.5
– South Africa	10%	**412.8**	376.0
– Rest of Africa		**47.4**	(9.5)
Tertiary	13%	**609.4**	538.7
Resourcing		**38.7**	2.9
– South Africa		**6.0**	(18.5)
– Rest of Africa	53%	**32.7**	21.4
Property, plant and equipment, proprietary technology systems, right-of-use assets and non-current assets held for sale	6%	**5 767.2**	5 453.1
Schools	2%	**3 874.3**	3 798.4
– South Africa	2%	**3 446.7**	3 387.2
– Rest of Africa	4%	**427.6**	411.2
Tertiary	14%	**1 861.7**	1 633.8
Resourcing	49%	**31.2**	20.9
– South Africa	67%	**29.6**	17.7
– Rest of Africa	(50%)	**1.6**	3.2

Summarised consolidated statement of changes in equity

for the year ended 31 December 2021

R'm	Audited 31 December 2021	Audited 31 December 2020
Balance at beginning of the year	**3 867.8**	3 420.3
Total comprehensive income for the year	**709.5**	450.4
Dividends declared to shareholders	**(223.9)**	(3.8)
Share-based payment expense	**0.9**	1.8
Share award expense under the management share incentive schemes	**51.5**	17.1
Taxation effect of shares awarded under the management share incentive schemes	**(0.1)**	(0.4)
Share issue costs	**(0.1)**	–
Share options exercised	**9.7**	–
Acquisition of additional shares in subsidiaries	**(6.2)**	(21.0)
Non-controlling interest on disposal of subsidiaries	**–**	3.4
Balance at end of the year	**4 409.1**	3 867.8

Summarised consolidated statement of cash flows

for the year ended 31 December 2021

R'm	Note	Percentage increase	**Audited 31 December 2021**	Audited 31 December 2020
Cash flows from operating activities				
Cash generated from operations	5	16%	**1 471.9**	1 264.5
Movement in working capital			**117.5**	48.0
Cash generated by operating activities		21%	**1 589.4**	1 312.5
Net finance costs paid (inclusive of borrowing costs capitalised to assets and finance costs on lease liabilities)			**(157.9)**	(201.1)
Taxation paid			**(309.3)**	(212.5)
Dividends paid			**(223.8)**	(3.8)
Net cash inflow from operating activities			**898.4**	895.1
Cash flows from investing activities				
Additions to property, plant and equipment			**(330.0)**	(267.0)
Additions to proprietary technology systems			**(12.7)**	(36.5)
Proceeds on disposal of property, plant and equipment			**38.8**	29.4
Proceeds on disposal of subsidiaries			**–**	0.3
Dividend received from joint venture			**1.0**	–
Net cash outflow from investing activities			**(302.9)**	(273.8)
Cash flows from financing activities				
Settlement of non-current bank loan			**(600.0)**	–
Settlement of current bank loans			**(441.2)**	(848.9)
Drawdowns of current bank loans			**590.0**	410.0
Repayment of lease liabilities			**(94.0)**	(97.9)
Cash received on exercise of share options			**9.7**	–
Acquisition of additional shares in subsidiaries			**(8.4)**	(21.0)
Shares issued to non-controlling interest			**1.7**	–
Settlement of contingent consideration			**–**	(9.1)
Net cash outflow from financing activities			**(542.2)**	(566.9)
Net increase in cash and cash equivalents			**53.3**	54.4
Cash and cash equivalents (net of bank overdraft) at beginning of the year			**181.7**	125.3
Net foreign exchange differences on cash and cash equivalents			**10.0**	2.0
Cash and cash equivalents at end of the year			**245.0**	181.7

Free operating cash flow before capex per share

for the year ended 31 December 2021

R'm	Percentage increase	**Audited 31 December 2021**	Audited 31 December 2020
Profit for the year		**679.4**	465.5
Adjusted for non-cash IFRS and other adjustments (after taxation)		**48.6**	10.5
Net operating profit after taxation – adjusted for non-cash IFRS and other adjustments		**728.0**	476.0
Depreciation, amortisation and impairment		**314.5**	382.4
Repayment of lease liabilities		**(94.0)**	(97.9)
Taxation adjustment on IFRS 16 leases		**(6.3)**	(8.7)
Profit on disposal of property, plant and equipment (after taxation)		**(8.1)**	(1.0)
Operating cash flow after taxation	23%	**934.1**	750.8
Movement in working capital		**117.5**	48.0
Free operating cash flow before capex	32%	**1 051.6**	798.8
Free operating cash flow before capex per share (cents)*	31%	**194.7**	148.1

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

* *The number of normal treasury shares in issue have been restated. Refer to note 8 for more information.*

Supplementary information

for the year ended 31 December 2021

R'm	**Audited 31 December 2021**	Audited 31 December 2020
Capital expenditure (inclusive of borrowing costs capitalised)	**346.8**	308.4
Capital commitments	**1 388.6**	869.2
Authorised by directors and contracted for	**499.3**	293.0
Authorised by directors and not yet contracted for	**889.3**	576.2
Anticipated timing of spend	**1 388.6**	869.2
0 – 1 year	**489.2**	282.4
1 – 2 years	**274.0**	139.7
3 – 5 years	**536.6**	152.4
more than 5 years	**88.8**	294.7

Notes to the summarised consolidated financial statements

for the year ended 31 December 2021

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 are consistent with the accounting policies applied in the preparation of the previous consolidated financial statements, except as noted in note 8.

The preparation of the group's summarised consolidated financial statements, and the full consolidated financial statements for the year ended 31 December 2021 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 2021 have been audited by Ernst & Young Inc., 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 Minister of finance announced on 24 February 2021 an intention to reduce the corporate taxation rate to 27% as well as the review of various taxation incentives and allowances. The Minister further announced on 23 February 2022 that the change is effective for years of assessment ending on or after 31 March 2023. This is considered a non-adjusting post balance sheet event and the group will monitor the legislative changes in this regard. An estimate of the impact was not performed at 31 December 2021 but will be considered during the 2022 year.

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 2021 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.

R'm	**Audited 31 December 2021**	Audited 31 December 2020
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):		
Education services	**4 899.2**	4 654.8
– Tuition – Schools	**2 528.1**	2 406.8
– Tuition – Tertiary	**2 459.6**	2 360.9
– Bursaries and discounts	**(223.4)**	(223.1)
Net tuition fees	**4 764.3**	4 544.6
Boarding fees	**35.9**	18.8
Enrolment and application fees	**54.8**	57.8
Extramural activities and aftercare	**43.4**	30.1
Education material and uniforms	**0.8**	3.5
Placement fees	**1 018.0**	848.2
Intra group revenue	**–**	(3.8)
	5 917.2	5 499.2
3. Non-trading items		
Profit on disposal of property, plant and equipment	**(11.3)**	(1.4)
Profit on right-of-use assets from early termination of leases	**(0.4)**	–
Corporate action income/(costs)	**0.5**	(0.5)
Impairment of property, plant, and equipment	**–**	(11.1)
Impairment of intangible assets	**–**	(24.9)
Loss on disposal of subsidiaries	**–**	(6.7)
Gain on settlement of contingent consideration	**–**	13.0
	12.2	(28.8)

During the current year land and buildings, which were no longer required, with a carrying value of R19.8 million were disposed of for proceeds of R34.7 million. The balance of the profit on disposal of property, plant and equipment in the current and prior year results from the disposal of smaller assets.

Corporate action income relates to an adjustment on the purchase price of a prior year acquisition.

The non-trading items in the prior year related to:

- Corporate action costs related to legal and consulting costs incurred in business combinations.
- 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 the future.
- Intangible assets with a carrying value of R24.9 million relating to the brand value of Maragon (in the schools division) was impaired. The reason for the impairment was the strategic re-positioning and re-branding of these schools which is currently in progress.
- Loss on disposal of subsidiaries related to the disposal of Ubiquity Open Academy Holdings Proprietary Limited and its subsidiaries.
- The gain on settlement of contingent consideration related to a reduction that was negotiated on the acquisition consideration for Makini Schools Limited.

Notes to the summarised consolidated financial statements (continued)

R'm	Percentage decrease	Audited 31 December 2021	Audited 31 December 2020
4. Trade and other receivables			
Trade receivables		**564.8**	609.2
Loss allowance		**(321.0)**	(375.7)
		243.8	233.5
Other receivables		**49.6**	36.8
Trade and other receivables		**293.4**	270.3
Profit or loss impact			
Credit losses[$]	(56%)	**117.3**	263.6

$ *Includes the profit or loss impact of net bad debts written-off and the movement in the loss allowance.*

5. Note to the summarised statement of cash flows

R'm	Audited 31 December 2021	Audited 31 December 2020
Reconciliation of profit before taxation to cash generated from operations		
Profit before taxation	**959.1**	674.5
Adjust for non-cash IFRS and other adjustments (before taxation)	**48.6**	10.5
	1 007.7	685.0
Adjustments	**464.2**	579.5
Depreciation, amortisation and impairment	**314.5**	382.4
Net finance costs	**161.4**	204.8
Profit on disposal of property, plant and equipment	**(11.3)**	(1.4)
Profit on right-of-use assets from early termination of leases	**(0.4)**	–
Loss on disposal of subsidiaries	**–**	6.7
Gain on settlement of contingent consideration	**–**	(13.0)
Cash generated from operations	**1 471.9**	1 264.5

6. Acquisition of additional shares in subsidiaries

6.1 Oxbridge Academy Proprietary Limited

A further 44% of Oxbridge Academy Proprietary Limited was acquired on 1 May 2021 for a cash consideration of R8.4 million. The total holding is 95% of the share capital.

6.2 Schole Mauritius Limited

A further 3.97% of Schole Mauritius Limited was acquired on 2 December 2021 through the capitalisation of loans which diluted the shareholding of the non-controlling interest. The total holding is 94.15% of the share capital.

7. Share information

	Percentage increase	Audited 31 December 2021	Audited 31 December 2020
Number of shares in issue (million)		**554.5**	551.8
Number of shares in issue net of treasury shares (million)*		**541.7**	539.8
Weighted average number of shares for purposes of basic earnings per share (million)*		**540.1**	539.4
Weighted average number of shares for purposes of diluted earnings per share (million)*		**545.9**	540.6
Net asset value per share including treasury shares (cents)	13%	**795.1**	700.9
Net asset value per share net of treasury shares (cents)*	14%	**813.9**	716.5
Free operating cash flow before capex per share (cents)*	32%	**194.7**	148.1
Gross dividends per share (cents)	150%	**50.0**	20.0

* *The number of normal and diluted treasury shares in issue have been restated. Refer to note 8 for more information.*

8. Prior year restatements

8.1 Treasury share restatements

Shares held within the group for the management share incentive scheme were recognised as issued and presented as stated capital in the prior year. This was due to an error in the interpretation of the IFRS requirements for these shares. The restrictions and vesting conditions applicable to these shares require them to be treated as unissued and therefore presented as treasury shares. This results in a reclassification between different line items within equity in the prior year. The reclassification also results in a change to the prior year weighted average number of shares used for the purpose of calculating basic earnings per share and diluted earnings per share by increasing the number of treasury shares taken into account for this calculation. There were no changes to the earnings for the prior year. The impact is as follows:

	As previously reported Audited 2020	Impact of restatement	As restated Audited 2020
Impact on shares in issue net of treasury shares			
Number of shares in issue net of treasury shares (million)	544.4	(4.6)	539.8
Impact on weighted average number of shares			
Weighted average number of shares (million)	549.0		549.0
Less: Weighted average number of shares held by the group (million)	(7.4)	(2.2)	(9.6)
Weighted average number of shares for purposes of basic earnings per share (million)	541.6	(2.2)	539.4
Dilutive effect of share options (million)	–	1.2	1.2
Weighted average number of shares for purposes of diluted earnings per share (million)	541.6	(1.0)	540.6
Impact on basic and diluted earnings per share			
Basic (cents)	85.1	0.4	85.5
Diluted (cents)	85.1	0.2	85.3
Impact on basic and diluted headline earnings per share			
Basic (cents)	91.2	0.4	91.6
Diluted (cents)	91.2	0.2	91.4
Impact on basic and diluted normalised earnings per share			
Basic (cents)	89.8	0.4	90.2
Diluted (cents)	89.8	0.2	90.0
Impact on free operating cash flow before capex per share			
Free operating cash flow before capex per share (cents)	147.5	0.6	148.1

8.2 Restatements on the summarised consolidated statement of profit or loss and summarised consolidated segmental report

Profit on disposal of property, plant and equipment amounting to R1.4 million has been reclassified as a non-trading item due to the non-recurring nature of these transactions. The comparative results have been re-presented. The effect on EBITDA and operating profit before interest and non-trading items is reflected below.

	As previously reported Audited 2020	Impact of restatement	As restated Audited 2020
Operating profit before interest and non-trading items	909.5	(1.4)	908.1
Schools	368.3	(1.8)	366.5
– South Africa	378.6	(2.6)	376.0
– Rest of Africa	(10.3)	0.8	(9.5)
Tertiary	538.5	0.2	538.7
Resourcing	2.7	0.2	2.9
– South Africa	(18.7)	0.2	(18.5)
– Rest of Africa	21.4	–	21.4

Sponsor: Bridge Capital

BRIDGE CAPITAL

SCHOOLS DIVISION

9 Brands (2020: 9) | 108 Schools (2020: 109)

TERTIARY / UNIVERSITY DIVISION

9 Brands (2020: 9) | 32 Campuses (2020: 33)

RESOURCING DIVISION

8 Brands (2020: 8)

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