ADvTECH GROUP

Audited results

for the year ended 31 December 2005

ADvTECH LIMITED (Incorporated in the Republic of South Africa)
Registration number: 1990/001119/06 JSE code: ADH ISIN: ZAE 0000 31035

Revenue up 19%	Operating profit before interest up 54%	Headline earnings per share up 39%	Distribution per share up 56%	Free operating cashflow per share up 21%

Abridged income statement for the year ended 31 December 2005

(R'000)	Note	Percentage increase	Audited 12 months to 31 Dec 2005	Restated 12 months to 31 Dec 2004
Continuing operations				
Revenue		19%	**661 035**	554 869
Earnings before Interest, Taxation, Depreciation & Amortisation (EBITDA)		44%	**112 643**	78 363
Operating profit		54%	**87 015**	56 553
Net investment revenues/(finance costs)			**117**	(354)
Investment revenues			**5 264**	4 043
Finance costs			**(5 147)**	(4 397)
Profit before taxation		55%	**87 132**	56 199
Taxation			**(27 162)**	(12 226)
Profit for the year from continuing operations		36%	**59 970**	43 973
Discontinued operations				
Loss for the year from discontinued operations			**–**	(5 738)
Profit for the year			**59 970**	38 235
Attributable to:				
Equity holders of the parent			**57 822**	36 789
Minority interest			**2 148**	1 446
			59 970	38 235
Earnings per share				
From continuing and discontinued operations				
Basic (cents)			**16,0**	10,3
Diluted (cents)			**15,2**	9,9
From continuing operations				
Basic (cents)		33%	**16,0**	12,0
Diluted (cents)		32%	**15,2**	11,5
Headline earnings per share	2			
Basic (cents)		39%	**15,7**	11,3
Diluted (cents)		37%	**14,9**	10,9
Number of shares in issue ('000)			**393 665**	393 665
Diluted number of shares ('000)			**381 287**	370 174
Weighted average number of shares in issue ('000)			**361 891**	355 702
Net asset value per share (cents)		18%	**72,5**	61,4
Net cash position/(borrowings) (Rm)			**17,7**	(26,4)
Free operating cash flow before capex per share (cents)		21%	**28,9**	23,8
Distribution per share (cents)		56%	**7,0**	4,5

Abridged balance sheet as at 31 December 2005

(R'000)	Audited 31 Dec 2005	Restated 31 Dec 2004
Assets		
Non-current assets	**407 182**	375 404
Property, plant and equipment	**364 988**	328 721
Intangible assets	**1**	1
Investment	**495**	495
Deferred taxation assets	**41 698**	46 187
Current assets	**73 017**	42 269
Trade receivables and other	**37 048**	42 052
Cash and cash equivalents	**35 969**	217
Total assets	**480 199**	417 673
Equity and liabilities		
Equity	**286 898**	243 079
Attributable to equity holders of the parent	**285 541**	241 633
Minority interest	**1 357**	1 446
Non-current liabilities	**18 267**	22 976
Current liabilities	**175 034**	151 618
Trade payables and other	**125 080**	107 169
Bank overdraft	**–**	3 638
Fees received in advance	**49 954**	40 811
Total equity and liabilities	**480 199**	417 673

Segmental report for the year ended 31 December 2005

(R'000)	Percentage increase/(decrease)	Audited 12 months to 31 Dec 2005	Restated 12 months to 31 Dec 2004
Continuing operations			
Revenue	19%	**661 035**	554 869
Education	19%	**581 193**	486 849
Resourcing	17%	**79 842**	68 020
Operating profit	54%	**87 015**	56 553
Education	34%	**100 953**	75 218
Resourcing	39%	**12 349**	8 870
Central administration	–	**(22 564)**	(22 805)
Litigation costs	-21%	**(3 723)**	(4 730)

Supplementary information for the year ended 31 December 2005

(R'000)	Audited 12 months to 31 Dec 2005	Restated 12 months to 31 Dec 2004
Capital expenditure – current year	**68 043**	43 510
Capital commitments – future years	**92 507**	82 416
Operating lease commitments in cash – future years	**123 703**	109 952

Abridged cash flow statement for the year ended 31 December 2005

(R'000)	Note	Percentage increase	Audited 12 months to 31 Dec 2005	Restated 12 months to 31 Dec 2004
Cash generated by operations	4	46%	**114 025**	78 001
Generated by decrease in working capital			**17 538**	19 322
Cash generated by operating activities		35%	**131 563**	97 323
Net investment revenues/(finance costs)			**117**	(1 709)
Taxation paid			**(6 608)**	(8 166)
Capital distribution/dividends paid			**(16 332)**	(3 522)
Net cash inflow from operating activities			**108 740**	83 926
Net cash outflow from investing activities			**(61 469)**	(40 763)
Net cash outflow from financing activities			**(7 881)**	(767)
Net increase in cash and cash equivalents			**39 390**	42 396
Cash and cash equivalents at beginning of the year			**(3 421)**	(45 817)
Cash and cash equivalents at end of the year			**35 969**	(3 421)
Free operating cashflow before capex per share (cents)				
Net operating profit after taxation			**59 970**	38 235
Adjust for non-cash IFRS and lease adjustments (after taxation)			**1 729**	1 524
IFRS 2 – Share based payments			**568**	715
IAS 17 – Operating lease adjustment			**1 161**	809
Net operating profit after taxation – adjusted for non-cash IFRS and lease adjustments			**61 699**	39 759
Other non-cashflow income statement items			**(1 181)**	3 525
Plus: depreciation and amortisation			**26 455**	22 224
Operating cash flow after taxation		33%	**86 973**	65 508
Plus: working capital changes			**17 538**	19 322
Free operating cash flow before capex			**104 511**	84 830
Weighted average number of shares in issue ('000)			**361 891**	355 702
Free operating cash flow before capex per share (cents)		21%	**28,9**	23,8

Notes to financial statements for the year ended 31 December 2005

1. The financial statements have been prepared using accounting policies that comply with International Financial Reporting Standards and presented in compliance with IAS 34 ("Interim Financial Reporting"). The accounting policies are consistent with those applied in the previous financial year, except for the changes that are described in Note 3. The audited results, including prior year opening balances, for the 12 months ended 31 December 2004 have been restated to reflect the impact of those IFRS statements applicable at 31 December 2005.

   The Group auditors, Deloitte & Touche, have completed the audit of the Annual Financial Statements on which this preliminary announcement has been based. Their unqualified report is available at the registered office of the company.

Statement of changes in equity for the year ended 31 December 2005

(R'000)	Notes	Ordinary share capital	Share premium	Shares held by Share Incentive Trust	Share option reserve	Non-distributable reserves	Accumulated loss	Attributable to equity holders of the parent	Minority interest	Total equity
Balance at 1 January 2004 as previously stated		3 937	355 100	(13 026)	–	15 944	(148 837)	213 118	823	213 941
Net charge taken directly to equity							(8 177)			
IFRS opening balance adjustment – IFRS 2	3.1				404		(404)	–		–
IFRS opening balance adjustment – IAS 16	3.2						(4 724)	(4 724)		(4 724)
Operating lease adjustment – IAS 17	3.3						(3 049)	(3 049)		(3 049)
Balance at 1 January 2004 – as restated		3 937	355 100	(13 026)	404	15 944	(157 014)	205 345	823	206 168
Net profit for the year – as restated					715		36 789	37 504	1 446	38 950
As previously reported							39 250			
IFRS transition adjustment – IFRS 2	3.1						(715)			
IFRS transition adjustment – IAS 16	3.2						(937)			
Operating lease adjustment – IAS 17	3.3						(809)			
Minority interest distribution									(823)	(823)
Share options exercised				2 316				2 316		2 316
Total recognised income and expense for the year		–	–	2 316	715	–	36 789	39 820	623	40 443
Distribution to shareholders							(3 532)	(3 532)		(3 532)
Balance at 31 December 2004 – as restated		3 937	355 100	(10 710)	1 119	15 944	(123 757)	241 633	1 446	243 079
Net profit for the year					568		57 822	58 390	2 148	60 538
Minority interest distribution								–	(2 237)	(2 237)
Transfer from NDR to DR						(15 944)	15 944	–		–
Share options exercised				1 847				1 847		1 847
Total recognised income and expense for the year		–	–	1 847	568	(15 944)	73 766	60 237	(89)	60 148
Distribution to shareholders			(16 329)					(16 329)		(16 329)
Balance at 31 December 2005		**3 937**	**338 771**	**(8 863)**	**1 687**	**–**	**(49 991)**	**285 541**	**1 357**	**286 898**

Notes to financial statements for the year ended 31 December 2005

2. Determination of headline earnings

(R'000)	Percentage increase	Audited 12 months to 31 Dec 2005	Restated 12 months to 31 Dec 2004
Earnings attributable to ordinary shareholders per income statement		**57 822**	36 789
Profit on disposal of assets and businesses		**(1 181)**	(100)
Loss from discontinued operation		**–**	3 626
Headline earnings		**56 641**	40 315
Headline earnings previously disclosed			42 776
Difference			2 461
After taxation effect of accelerated depreciation (IFRS – IAS 16)			937
After taxation effect of share incentive scheme (IFRS 2)			715
After taxation effect of operating lease adjustment (IAS 17)			809
			2 461
Reconciliation of headline earnings per share (HEPS) (cents)			
HEPS as per GAAP requirements	37%	**16,4**	12,0
IAS 16 adjustment		**(0,3)**	(0,3)
IFRS 2 adjustment		**(0,1)**	(0,2)
IAS 17 adjustment		**(0,3)**	(0,2)
HEPS as per IFRS requirements	39%	**15,7**	11,3

3. New accounting policies and IAS17 (Operating leases) Restatement

3.1 IFRS 2 – Share-based payment

In terms of IFRS all share-based awards granted after 7 November 2002 result in a deemed charge to the Income Statement on a straight line basis over the term of the award. The effect of these adjustments for the current reporting year is set out in the table below.

The Share Incentive Trust owns 26.8m shares, sufficient to cover 82% of outstanding share options. Consequently the dilution of economic substance for shareholders arising from the exercising of the options will be limited to 2% of earnings as the majority of the actual costs to the Group have already been borne.

(R'000)	Audited 12 months to 31 Dec 2005	Restated 12 months to 31 Dec 2004
Summary of the after taxation adjustments arising from the above:		
Balance sheet		
Opening accumulated loss - at transition date		404
Share option reserve	**(568)**	(1 119)
Income statement	**568**	715
Staff costs – share options	**568**	715

3.2 IAS 16 – Property, plant and equipment

Under SA GAAP, an item of property, plant and equipment was depreciated as a single unit. IAS 16 requires each part of an item of property, plant and equipment with a cost significant in relation to the total cost of the item to be depreciated separately. A significant part of an item of property, plant and equipment may have a useful life and a depreciation method that is different from the useful life and the depreciation method of another significant part of that same item. The statement also deals with the residual values of assets, that is the estimated amount that an entity would currently obtain from the disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The application of this statement resulted in accelerated depreciation being charged to the current year's Income Statement, to the previous year's Income Statement and in the restatement of the opening balance accumulated loss for 2004.

(R'000)	Audited 12 months to 31 Dec 2005	Restated 12 months to 31 Dec 2004
Summary of the after taxation adjustments arising from the above:		
Balance sheet		
Opening accumulated loss – at transition date		4 724
Accumulated depreciation	**(986)**	(5 661)
Income statement	**986**	937
Depreciation	**986**	937

3.3 IAS 17 – Leases

In accordance with Circular 7/2005 of the SAICA in respect of the accounting treatment of operating leases, ADvTECH is now reporting all operating lease payments as an expense on a straight line basis over the period of the lease, notwithstanding the true underlying nature of the lease arrangements which have not changed.

(R'000)	Audited 12 months to 31 Dec 2005	Restated 12 months 31 Dec 2004
Summary of the after taxation adjustments arising from the above:		
Balance sheet		
Opening accumulated loss – at transition date		3 049
Deferred taxation assets	**474**	1 653
Operating lease provision	**(1 635)**	(5 511)
Income statement	**1 161**	809
Operating lease expense	**1 635**	1 156
Taxation credit	**(474)**	(347)

4. Notes to the cash flow statement

(R'000)	Audited 12 months to 31 Dec 2005	Restated 12 months to 31 Dec 2004
Reconciliation of profit before taxation to cash generated by operations		
Profit before taxation (from continuing operations)	**87 132**	56 199
Less: Loss before taxation (from discontinued operations)	**–**	8 206
Loss after taxation (from discontinued operations)	**–**	5 738
Taxation credit (from discontinued operations)	**–**	2 468
Profit before taxation (from continuing and discontinued operations)	**87 132**	47 993
Adjust for non cash IFRS and lease adjustments (before taxation)	**3 189**	2 808
Sub total	**90 321**	50 801
Add back:	**23 704**	27 200
Depreciation on property, plant and equipment (net of IAS 16 adjustment)	**25 471**	21 770
(Net investment revenues)/finance costs	**(117)**	376
Other non cashflow income statement items	**(1 650)**	5 054
Cash generated by operations	**114 025**	78 001

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Directors' comment on results

Overview

ADvTECH's two principal business units, independent education and human resourcing, although fundamentally different in nature, have become a compatible and manageable combination of enterprises. Both businesses delivered solid results for the year ended 31 December 2005. Consistent progress and re-investment in each division over the past three years has established a secure platform and has served to enhance and widen the market appeal of the Group's operational brands. In the Education division in particular, continued infrastructure expansion and broader and more elevated academic service offerings have proved to be two economically complementary ingredients of the Group's strategy and financial model.

With this background, the Directors are pleased to report a 19% increase in Group revenue to R661 million, a 54% increase in operating profit to R87 million and a 39% increase in headline earnings per share to 15,7 cents. Operating margins improved from 10% to 13%, as a result of sound overhead control and efficiencies arising from productive utilisation of more functional new and extended capacities. Particular attention was paid to the Group's working capital management during the year. The success of this effort resulted in the Group, for the first time, remaining in a positive cash position throughout the year, despite significant cash outlay on new infrastructure. As forecast, the effective taxation rate for the year has increased. The increased rate of 31% (2004 – 22%) is above the normal rate of 29%, mainly due to the non-recognition of certain leasehold depreciation for tax purposes.

ADvTECH's progress and status on transformation has recently been assessed in terms of the JSE Limited Social Responsibility Investment Index. The report discloses satisfactory advances in all relevant features of the Group's labour equity, empowerment and transformation.

Divisional review

Education

The Education division houses the Group's educational brands and institutions, including well-known brands, Abbotts, CCI, College Campus, CrawfordSchools, Imfundo, Junior College, Rosebank College, Varsity College and Vega, as well as the Group's academic flagship, the Independent Institute of Education (IIE). Collectively, these provide a full range of educational services from pre-school through to matriculation, diploma, degree and post-graduate levels, including adult basic education, training and learnership programmes. The division encompasses some 59 sites and campuses across South Africa.

The division has sustained its record of high academic achievement and has broadened its provision of training and education opportunities to previously disadvantaged South Africans. In 2005, approximately 66% of learners were from previously disadvantaged communities (PDC), and the Group has been acknowledged, *inter alia,* for its significant contribution to the achievements of PDC students in matric mathematics at higher grade. The Education division delivered a sound and sustainable financial performance during the year, with an enrolment increase of 7% and margins improving as new capacity was brought into use. The division increased revenue by 19% to R581 million and profit from operations by 34% to R101 million. These results have enabled ADvTECH to re-invest a significant proportion of its revenues to provide for new and improved academic resources and infrastructure.

Negotiations were concluded during the year to terminate the lease agreement on the school property owned by the Durban Hebrew Schools Association (DHSA). This termination will become effective on 31 December 2006, whereafter continuing Crawford students will be admitted to the Crawford School in La Lucia and the DHSA will reopen their school under new management.

Scholastic achievement remains central to the Group's mandate in education and the success of the Education division is essentially measured by the academic performance of learners enrolled at our institutions. The academic results for 2005 were excellent, and the Education division is proud to have contributed a highly motivated and educated graduate pool for the South African job market.

Resourcing

The Resourcing division includes well-known brands such as Brent, Cassel, Communicate, Insource, Kapele, Mast Bookshop, Network and Pro-Rec. The division's major activities are recruitment, placement, temporary staffing and contracting together with other smaller businesses.

Over the last three years the Recruitment management team has devoted great effort to training and developing an enterprising and professional consultant capacity, integrated with balanced client services support and industry specific research. This pattern of conduct has proved to be an invaluable model in today's buoyant economy. The divisional results clearly reflect the advantages of such growth and opportunity, particularly in the focused niche markets of finance, IT and engineering. The division increased revenue by 17% to R80 million and profit from operations by 39% to R12 million.

Adoption of International Financial Reporting Standards (IFRS) and SAICA Circular 7/2005

The financial statements for the year ended 31 December 2005 are the first audited annual financial statements of the Group to be prepared in accordance with IFRS. ADvTECH's transition date is 1 January 2004 and the Group's balance sheet, income statement and comparative figures have been restated to reflect the impact of IFRS statements applicable as at 31 December 2005.

The main (after tax) adjustments to the opening retained earnings, the 2004 income statement and the current year income statement are:

	Income statement for the 12 months to December		Opening retained earnings 1 January
(R'000)	**2005**	2004	2004
IFRS – accelerated depreciation (IAS16)	**986**	937	4 724
IFRS 2 – share based payments	**568**	715	404
Operating lease adjustment (IAS17)/Circular 7/2005	**1 161**	809	3 049
Total reduction in retained earnings	**2 715**	2 461	8 177

None of the adjustments are substantial and they have no cash flow effect. Because these adjustments are not deductible from a current taxation perspective, the Group's deferred taxation asset has increased by R2,1 million.

Accounting statements and reporting requirements are subject to ongoing review and further changes in financial reporting requirements can be expected. With regard to such changes which may arise in the future, the numbers for prior periods may not be comparable.

Corporate action

During the year the Group sold Mast Publications to management and disposed of a number of small nursery schools within Junior College. None of the disposals is expected to have any material impact on the Group results.

Litigation

Legal proceedings against Marina and Andry Welihockyj are still in process. Despite the continuing tactics and strategy of the Welihockyj's to deliberately delay proceedings, preliminary issues and objections raised by them were heard during the year with a series of judgements, including costs orders, granted in favour of ADvTECH. The non-executive directors' litigation sub-committee has advised the Board that legal counsel remains satisfied with the merits of the Group's claims against the Welihockyj parties. Legal costs are expensed as incurred and amounted to R 3,7 million. (2004 – R 4,7 million).

Distribution to shareholders

The Board has resolved to declare a distribution to shareholders by way of capital distribution out of share premium of 7,0 cents per share (2004 – 4,5 cents) in respect of the year ended 31 December 2005. The authority to make this payment to shareholders was obtained at the annual general meeting held on 17 May 2005.

Set out in the table below are the pro forma financial effects of the distribution on the Company's earnings per share, headline earnings per share, net asset value per share and net tangible asset value per share based on the Company's audited financial results for the year ended 31 December 2005. These may not fairly present ADvTECH's financial position, changes in equity, results of operations or cash flow. The effect of the above will not be dissimilar to the effect of a dividend payment made on the same terms. The pro forma financial information is the responsibility of the directors of ADvTECH.

	Before the distribution[1]	After the distribution	Percentage change
Earnings per share (cents)	16,0	15,6[2]	(2,5%)
Headline earnings per share (cents)	15,7	15,3[2]	(2,5%)
Weighted average number of shares in issue ('000)	361 891	361 891	–
Net asset value per share (cents)	72,5	66,0[3]	(9,0%)
Net tangible asset value per share (cents)	72,5	66,0[3]	(9,0%)
Number of shares in issue ('000)	393 665	393 665	–

Notes:

1. Extracted from the audited financial results for the year ended 31 December 2005.
2. The earnings and headline earnings per share figures in the "After the distribution" column have been based on the following assumptions:
   - the distribution was made on 1 January 2005; and
   - interest, at an average after tax rate of 5% per annum (before tax rate of 7% per annum), was forfeited on the cash distributed.
3. The net asset value and net tangible asset value per share figures in the "After the distribution" column have been based on the assumption that the distribution was made on 31 December 2005.

Set out in the table below are the salient dates and times applicable to the distribution:

	2006
Last day to trade in order to participate in the distribution on	Wednesday, 12 April
Trading commences ex distribution on	Thursday, 13 April
Record date on	Friday, 21 April
Payment date	Monday, 24 April

Share certificates may not be dematerialised or rematerialised between Thursday, 13 April 2006 and Friday, 21 April 2006, both days inclusive.

Staff

ADvTECH increased its staff complement during the year by 9% to 2 560 with the majority being professional educators. More than 200 staff are qualified at Masters or Doctoral levels. ADvTECH personnel at all levels have made an immense contribution to this year's Group academic, operational and financial achievements. Their professionalism, diligence and loyalty are greatly appreciated by all stakeholders.

Prospects

Education and training must rank as one of the most important imperatives in South Africa. Given the recurring annual growth in student enrolments experienced by the Group over the past three years, and the intensifying demands for trained personnel in a growing economy, the ADvTECH Group is well positioned to facilitate and provide such services and respond to the opportunities presented. Enrolments for 2006 have, to date, followed a consistent trend and in the absence of any material adverse change in economic conditions, the Board would expect to report improved earnings and cash flow for the next reporting period.

MICHAEL SACKS
Chairman

FRANK THOMPSON
Chief Executive Officer

Johannesburg
27 March 2006

Directors: MI Sacks* (Chairman), FR Thompson (CEO), JDR Oesch (Financial), JNP Booyens, BD Buckham*, JJ Deeb, CN Duff, DK Ferreira*, DL Honey, JD Jansen*, HR Levin* **Non Executive* **Alternate Director:** A Isaakidis **Group Company Secretary:** SC O'Connor
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Transfer secretaries: Ultra Registrars (Pty) Ltd, 11 Diagonal Street, Johannesburg 2001
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