



Revenue ↑15%
Operating profit ↑9%
Headline earnings per share no change
Free operating cash flow per share ↑21%
Distributions per share ↑5%



enhance equip

Audited results for the year ended 31 December 2009

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

Condensed consolidated statement of comprehensive income for the year ended 31 December 2009

		Audited 31 Dec 2009	Audited 31 Dec 2008
R'000	Percentage increase Note		
Revenue	15%	1 375 997	1 197 793
Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA)	13%	277 682	246 315
Operating profit before interest	9%	218 936	200 693
Net interest received		10 849	21 877
Interest received		11 005	22 949
Finance costs		(156)	(1 072)
Profit before taxation	3%	229 785	222 570
Taxation		(69 584)	(67 123)
Profit for the year	3%	160 201	155 447
Earnings per share			
Basic (cents)		40.1	40.2
Diluted (cents)		40.1	40.0
Headline earnings	2	160 349	155 463
Headline earnings per share			
Basic (cents)		40.1	40.2
Diluted (cents)		40.1	40.0
Number of shares in issue ('000)		400 838	393 665
Weighted average number of shares in issue ('000)		401 002	393 665
Weighted average number of shares for purposes of diluted earnings per share ('000)		399 695	389 053
Weighted average number of shares for purposes of basic earnings per share ('000)		399 449	386 469
Net asset value per share (cents)	18%	152.3	129.3
Free operating cash flow before capex per share (cents)	21%	63.8	52.9
Distributions per share (cents)	5%	21.0	20.0

Condensed consolidated statement of financial position as at 31 December 2009

	Audited 31 Dec 2009	Audited 31 Dec 2008
R'000		
Assets		
Non-current assets	787 917	665 258
Property, plant and equipment	636 507	560 127
Goodwill	80 909	38 359
Intangible assets	49 782	48 200
Deferred taxation assets	20 719	18 572
Current assets	140 790	133 734
Trade and other receivables	84 886	72 393
Other current assets	16 294	17 552
Cash and cash equivalents	39 610	43 789
Total assets	928 707	798 992
Equity and liabilities		
Equity	610 593	508 895
Non-current liabilities		
Vendor claims	–	11 981
Current liabilities	318 114	278 116
Trade and other payables	181 873	155 129
Taxation	35 685	39 405
Fees received in advance	100 556	83 582
Total equity and liabilities	928 707	798 992

Supplementary information for the year ended 31 December 2009

	Audited 31 Dec 2009	Audited 31 Dec 2008
R'000		
Capital expenditure – current year	128 943	97 840
Capital commitments – future years	122 614	157 522
Operating lease commitments in cash – future years	356 331	362 910

Condensed consolidated statement of changes in equity for the year ended 31 December 2009

	Audited 31 Dec 2009	Audited 31 Dec 2008
R'000		
Balance at beginning of the year	508 895	414 924
Total comprehensive income for the year	159 355	156 263
Profit for the year	160 201	155 447
Other comprehensive (expense)/income	(846)	816
Share-based payment expense	1 712	1 496
Shares issued for business acquisition	35 550	–
Share buy-back	(7 598)	–
Shares purchased by the Share Incentive Trust	(12 472)	–
Share awards granted	2 098	1 008
Broad-based scheme shares granted	468	221
Share options exercised	2 926	4 456
Capital distributions to shareholders	(80 341)	(69 473)
Balance at end of the year	610 593	508 895

Condensed consolidated segmental report for the year ended 31 December 2009

	Percentage increase/ (decrease)	Audited 31 Dec 2009	Audited 31 Dec 2008
R'000			
Revenue	15%	1 375 997	1 197 793
Education	20%	1 169 938	977 288
Resourcing	(7%)	208 310	223 193
Intra Group revenue		(2 251)	(2 688)
Operating profit before interest	9%	218 936	200 693
Education	21%	231 421	192 013
Resourcing	(39%)	28 786	47 322
Central administration	9%	(41 202)	(37 788)
Litigation expenses		(69)	(854)

Condensed consolidated statement of cash flows for the year ended 31 December 2009

	Percentage increase Note	Audited 31 Dec 2009	Audited 31 Dec 2008
R'000			
Cash generated from operations	4 13%	284 161	251 492
Movement in working capital		30 630	(982)
Cash generated by operating activities	26%	314 791	250 510
Net interest received		10 849	21 877
Taxation paid		(75 451)	(49 042)
Capital distributions paid		(80 181)	(69 316)
Net cash inflow from operating activities		170 008	154 029
Net cash outflow from investing activities		(155 713)	(234 929)
Net cash (outflow)/inflow from financing activities		(18 473)	6 623
Net decrease in cash and cash equivalents		(4 178)	(74 277)
Cash and cash equivalents at beginning of the year		43 789	118 061
Net foreign exchange differences on cash and cash equivalents		(1)	5
Cash and cash equivalents at end of the year		39 610	43 789
Free operating cash flow before capex per share (cents)			
Profit for the year		160 201	155 447
Adjusted for non-cash IFRS and lease adjustments (after taxation)		4 996	4 365
Net operating profit after taxation – adjusted for non-cash IFRS and lease adjustments		165 197	159 812
Depreciation and amortisation		58 746	45 622
Other non-cash flow income statement items (after taxation)		148	16
Operating cash flow after taxation	9%	224 091	205 450
Movement in working capital		30 630	(982)
Free operating cash flow before capex	25%	254 721	204 468
Weighted average number of shares in issue for purposes of basic earnings per share ('000)		399 449	386 469
Free operating cash flow before capex per share (cents)	21%	63.8	52.9

Notes to condensed consolidated financial statements for the year ended 31 December 2009

- Statement of compliance**
The financial statements have been prepared using accounting policies that comply with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa and are presented in accordance with IAS 34 'Interim Financial Reporting'.
The accounting policies and methods of computation are consistent with those applied in the previous year.
The Group auditors, Deloitte & Touche, have completed the audit of the Annual Financial Statements on which this announcement has been based.
Their report is available for inspection at the Company's registered office.

	Audited 31 Dec 2009	Audited 31 Dec 2008
R'000		
2. Determination of headline earnings		
Profit for the year	160 201	155 447
Items excluded from headline earnings per share	148	16
Loss on sale of investment	–	5
Loss on sale of property, plant and equipment	205	15
Taxation effects on adjustments	205 (57)	20 (4)
Headline earnings	160 349	155 463
3. Other comprehensive income		
Profit for the year	160 201	155 447
Other comprehensive (expenses)/income	(846)	816
Cash flow hedge revaluation	(30)	816
(Loss)/gain arising during the year	(816)	–
Reclassification adjustment for amounts transferred to the initial carrying amount of hedged items		
Total comprehensive income for the year	159 355	156 263
4. Note to the statement of cash flows		
Reconciliation of profit before taxation to cash generated from operations		
Profit before taxation	229 785	222 570
Adjust for non-cash IFRS and lease adjustments (before taxation)	6 273	5 161
Adjust:	236 058	227 731
Depreciation and amortisation	48 103	23 761
Net interest received	58 746	45 622
Other non-cash flow income statement items	(10 849)	(21 877)
	206	16
Cash generated from operations	284 161	251 492
5. Business combination		
Forbes Lever Baker was acquired on 1 January 2009 for consideration amounting to R56.7 million.		
Fair value of assets acquired		
Property, plant and equipment	2 464	
Total net tangible assets acquired	2 464	
Intangible assets	7 705	
Goodwill	46 534	
Purchase price	56 703	

Commentary

Overview

ADvTECH achieved steady financial results for the year ended December 2009, a period characterised by significant financial and economic challenges for consumers in South Africa. These results were underpinned by continued strong growth from the Education division, offset by a significant and market related decline in the contribution from the Resourcing division. The increase in demand for ADvTECH's education services throughout this period is testament to the value placed on the quality of the Group's education offering. The strength of the Group's business model and the annuity nature of the revenue stream are at the core of ADvTECH's long-term sustainability.

In 2009 ADvTECH's students again excelled academically. The 1 169 Matric candidates achieved a 100% pass rate, with 98% qualifying for entrance into Higher Education institutions and collectively obtained 2 351 subject distinctions, an average of two distinctions per candidate. Outstanding results were achieved by our matric group as a whole in key subjects such as Mathematics, English, Computer Science and Accounting.

At post-schooling level, 15 graduation ceremonies were held during the year at which 2 468 (2008: 2 156) students graduated with qualifications accredited by The Independent Institute of Education (IIE) at certificate, diploma, degree or honours level. Forbes Lever Baker and Varsity College undergraduate UNISA students again achieved creditable results with an overall pass rate of 72%. Their students also occupied 12 of the top 15 places nationally in the UNISA Certificate in Theory of Accounting (CTA) examinations. Good progress was made by Imfundo in the Department of Labour Adult Basic Education and Training contract which saw some 10 500 students tackle the programme with over 50% having already completed the course. ADvTECH actively measures the subsequent career success of alumni, and the Group itself employs 322 (2008: 266) alumni.

In the Resourcing division, the Group maintained its resolute focus on key niche markets, while maintaining a lean and efficient operating model. The economic climate affected both demand and the length of the staff recruitment cycle. As a result 3 900 (2008: 4 900) candidates were placed in new careers.

More information about the individual and collective achievements of students, staff and clients across the programmes, campuses and branches of the Group is included in the ADvTECH annual report.

Financial

Given the prevailing economic conditions, the directors are pleased to report a 15% increase in revenue to R1.4 billion and a 9% increase in operating profit to R219 million. Reduced interest earnings and the dilution resulting from the issue of shares to vendors translated into diluted headline earning per share of 40.1 cents (2008: 40.0 cents). These results together with the strong cash flow reported on below enabled the declaration of a 5% increase in distribution per share for the full year.

These results were driven by a sound performance in the Education division coupled with modest growth in central administration costs which increased by 9% (2008: 13%). Overall, operating margin declined marginally.

Revenue in the Education division increased by 20% to R1.2 billion and operating profit by 21% to R231 million. This increase reflects continued real growth in student numbers and the benefit of economies of scale with the margin increasing to just under 20%. As a result of the challenging trading environment due to the economic downturn, the Resourcing division had a difficult year with revenue declining by 7% overall and 23% in the second 6 months to R208 million for the year. This impacted heavily on the Division's operating profit which declined by 39% for the year to R29 million. Notwithstanding this result, the Resourcing division continued to contribute to the Group's performance with operating profit at a level equivalent to that of 2007, strong positive cash flow and gains in market position.

Free operating cash flow before capex per share increased by 21% to 63.8 cents per share. A further improvement in working capital management enabled the Group to generate this result despite the lower rate of operating profit growth. The 12% increase in net trade receivables and other current assets was lower than the 15% increase in revenue and reflects the result of continued focus on the management and collection of receivables.

Sound cash generation enabled ADvTECH to fund from its own resources capital expenditure of R129 million (2008: R98 million), acquisitions of R57 million, (2008: R143 million), corporate taxation of R75 million (2008: R49 million) and capital distributions of R80 million (2008: R69 million). This enabled the Group to maintain its sound financial position with an ungearing balance sheet and an 18% increase in net asset value per share.

The Group's working capital model in education is based on payments of fees in advance, compared to the usual models of arrear payments for services rendered. This model gives rise to circumstances at year end where current liabilities exceed current assets. This preferred low risk state of affairs resolves itself in the course of trading during the year.

Investment

In 2009 the Group invested R129 million in capital expenditure. This included a significant ongoing investment in management information systems and the creation of new capacity in the education brands, notably Abbotts College and CrawfordSchools™. The Group also invested R57 million in the already reported acquisition of Forbes Lever Baker, which gave rise to the increase in goodwill and intangible assets. In early 2010, ADvTECH acquired The Design School Southern Africa for a consideration of approximately R25 million, subject to the fulfillment of certain conditions. Although small in Group terms, this acquisition brings exciting new capacity and capability into the Vega brand.

The reduction in capital commitments to R123 million (2008: R158 million) is the result of project planning timetables and the focus on projects already in hand as noted above.

Education

The Education division under the academic guidance and governance of The Independent Institute of Education (IIE), houses the Group's education brands and institutions including Abbotts College, College Campus, Corporate College International, CrawfordSchools™, Forbes Lever Baker, Imfundo, Junior Colleges, Rosebank College, The National College of Photography, Trinityhouse, Varsity College and Vega. The Brand Communications School. Collectively, they provide a full range of educational services from pre-school to matric, certificates, diplomas, undergraduate and postgraduate degrees, as well as skills development, learnerships and Adult Basic Education and Training. In 2009, these activities addressed the needs of 60 800 students (2008: 46 500) at the 57 (2008: 52) sites and campuses across South Africa from which the Group operates. A key element of this growth was the 7% increase in full-time students to 32 400. A significant increase in student numbers was achieved in Imfundo as a consequence of the Adult Basic Education and Training contract referred to above.

The IIE, guided and supported by the Academic Advisory Council, Senate and various specialist advisory committees, provides the Education division with academic governance, leadership and quality assurance. With 41 (2008: 35) education programmes accredited across 24 (2008: 19) campuses between NQF levels 5 and 7, the Group holds the largest base of accredited Higher Education programmes in the independent sector.

Resourcing

The Resourcing division includes Brent Personnel, Cassel & Company, Communicate Personnel, Inkokheli HR Appointments, Insource, ICT, IT Edge, Network Recruitment, Pro Rec Recruitment, Tech-Pro Personnel, Vertex-Kapele and The Working Earth. The Division's major activities are permanent, temporary and other recruitment solutions, recruitment advertising and advertising response handling.

The Resourcing division maintained a strong focus on the key niche markets of Finance, Engineering and Information Technology, while also developing the smaller sectors of Freight and Logistics, Human Resources, Professional Sales and Supply Chain Management.

Transformation

ADvTECH's role in education, training and staffing in itself makes a significant contribution to the transformation of South African society. 73% of students and over 50% of placements are black. The Group maintained steady progress in its black staff complement as a whole as well as in its senior management structures. The Board Transformation Committee continues to guide the Group's progress against the relevant Department of Trade and Industry codes and the JSE Limited's Socially Responsible Investment index, of which ADvTECH has been a constituent for the past four years.

Litigation

Legal proceedings against Marina and Andry Welihoocky remain in process. The Group's legal counsel remains satisfied with the merits of the claims in this matter and that, save for legal costs, the Group has no further exposure.

Capital reduction out of share premium ("distribution")

The Board has resolved to declare a final distribution to shareholders by way of capital reduction out of share premium of 13.5 cents (2008: 13.0 cents) per share for the year ended 31 December 2009. This would bring total distributions for the year to 21.0 cents (2008: 20.0 cents) per share. The authority to make this payment to shareholders was obtained at the Annual General Meeting held on 19 May 2009.

The pro-forma financial effects of the distribution on the Group's earnings per share, headline earnings per share, net asset value per share and tangible net asset value per share based on the Group's audited financial results for the year ended 31 December 2009 are set out in the table below. The pro-forma financial effects have been prepared for illustrative purposes only and, because of their nature, may not provide a true reflection of the Group's financial position or results. The pro-forma financial information is the responsibility of the Company's directors and has not been audited.

	Before the distribution ¹	After the distribution	Percentage change
Earnings per share (cents)	40.1	39.3 ²	(2%)
Headline earnings per share (cents)	40.1	39.3 ²	(2%)
Weighted average number of shares for purposes of basic earnings per share ('000)	399 449	399 449	–
Net asset value per share (cents)	152.3	138.9 ³	(9%)
Net tangible asset value per share (cents)	119.7	106.3 ³	(11%)
Number of shares in issue ('000)	400 838	400 838	–

Notes:

1. Extracted from the audited financial results for the year ended 31 December 2009.
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 2009; and
 - interest, at an average before taxation rate of 8.6% 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 2009.

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

	2010
Last day to trade in order to participate in the distribution	Friday, 9 April
Trading commences ex distribution	Monday, 12 April
Record date	Friday, 16 April
Payment date	Monday, 19 April

Share certificates may not be dematerialised or rematerialised between Monday, 12 April 2010 and Friday, 16 April 2010 both days inclusive.

Prospects

The South African economy is likely to show some marginal improvement during 2010 and consequently the Board is hoping for a better business environment than was the case in 2009. The Education division has demonstrated its resilience under difficult conditions, and under improved conditions it is anticipated that the growth trend will continue. The Resourcing division has strengthened its position in its chosen niche markets, simultaneously renewing its commitment to service excellence. This Division is therefore well placed to respond to opportunities presented by a better employment market in 2010.

Accordingly, provided the recovery materialises, student enrolments continue as expected, and barring unforeseen adverse conditions, the Group expects to be able to report improved performance for the ensuing year.

On behalf of the Board

Motty Sacks

Chairman

23 March 2010

Frank Thompson

Chief Executive Officer

Directors: MI Sacks* (Chairman), FR Thompson (CEO), JDR Oesch (Financial), BD Buckham*, DK Ferreira*, BM Gourley*, JD Jansen*, HR Levin*, JC Livingstone*, LW Maasdorp*, F Titi* *Non-Executive

Group Company Secretary: SC O'Connor

Registered Office: ADvTECH House, Inanda Greens, 54 Wierda Road West, Wierda Valley, Sandton, 2196.

Transfer Secretaries: Link Market Services SA (Pty) Ltd, 11 Diagonal Street, Johannesburg, 2001.

Sponsor: Bridge Capital Advisors (Pty) Ltd, 27 Fricker Road, Illovo, 2196.

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