

AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011



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

✓ Revenue **+9%**

✓ Operating profit **+13%**

✓ Education operating profit **+17%**

✓ Headline earnings per share **+9%**

✓ Free operating cash flow per share **+22%**

✓ Number of full-time students **35 300**

Condensed consolidated statement of comprehensive income for the year ended 31 December 2011

R'm	Note	Percentage increase	Audited 31 Dec 2011	Audited 31 Dec 2010
Revenue		9%	1 605,6	1 470,1
Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA)		9%	292,3	269,3
Operating profit before interest and impairment		13%	230,0	202,9
Impairment of intangible asset			(5,3)	–
Net interest received			10,8	9,2
Interest received			11,0	9,4
Finance costs			(0,2)	(0,2)
Profit before taxation			235,5	212,1
Taxation			(79,2)	(63,3)
Total comprehensive income for the year			156,3	148,8
Earnings per share (cents)				
Basic			39,0	37,2
Diluted			39,0	37,2
Headline earnings	2		161,8	148,6
Headline earnings per share (cents)				
Basic		9%	40,4	37,2
Diluted		9%	40,4	37,1
Number of shares in issue (million)			420,8	400,8
Weighted average number of shares in issue (million)			405,8	400,8
Weighted average number of shares for purposes of basic earnings per share (million)			400,8	399,9
Weighted average number of shares for purposes of diluted earnings per share (million)			400,8	400,2
Effective taxation rate			34%	30%
Net asset value per share (cents)		6%	178,5	169,1
Free operating cash flow before capex per share (cents)		22%	66,0	54,1

Condensed consolidated statement of financial position as at 31 December 2011

R'm	Audited 31 Dec 2011	Audited 31 Dec 2010
Assets		
Non-current assets	975,7	852,6
Property, plant and equipment	812,9	682,3
Goodwill	98,2	95,9
Intangible assets	36,2	47,8
Deferred taxation assets	28,4	26,6
Current assets	179,3	132,0
Trade and other receivables	105,5	78,9
Taxation	9,8	–
Other current assets	17,2	15,6
Bank balances and cash	46,8	37,5
Total assets	1 155,0	984,6
Equity and liabilities		
Equity	751,2	677,8
Current liabilities	403,8	306,8
Trade and other payables	194,5	156,7
Taxation	–	26,8
Fees received in advance	138,6	123,3
Bank overdraft	70,7	–
Total equity and liabilities	1 155,0	984,6

Supplementary information for the year ended 31 December 2011

R'm	Audited 31 Dec 2011	Audited 31 Dec 2010
Capital expenditure – current year	187,8	105,2
Capital commitments – future years	135,9	94,3
Operating lease commitments in cash – future years	374,5	384,7

Condensed consolidated statement of changes in equity for the year ended 31 December 2011

R'm	Audited 31 Dec 2011	Audited 31 Dec 2010
Balance at beginning of the year	677,8	610,6
Total comprehensive income for the year	156,3	148,8
Dividends declared to shareholders	(47,9)	–
Share-based payment expense	2,3	1,8
Shares to be issued for business acquisition	2,6	–
Shares purchased by the Share Incentive Trust	(0,3)	(7,1)
Share awards granted	3,3	2,0
Broad-based scheme shares granted	0,9	1,8
Share options exercised	0,1	5,2
Capital distributions to shareholders	(43,9)	(85,3)
Balance at end of the year	751,2	677,8

Directors: LW Maasdorp* (Chairman), FR Thompson (CEO), JDR Oesch (Financial), DK Ferreira*, BM Courley*, JD Jansen*, HR Levin* (alternate CH Boule*), JC Livingstone* *Non-executive
Group Company Secretary: SK Saunders
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.



www.advtech.co.za

Condensed consolidated segmental report for the year ended 31 December 2011

R'm	Percentage increase/(decrease)	Audited 31 Dec 2011	Audited 31 Dec 2010
Revenue	9%	1 605,6	1 470,1
Education	11%	1 400,2	1 264,3
Resourcing	(1%)	206,9	208,2
Intra Group revenue		(1,5)	(2,4)
Operating profit before interest and impairment	13%	230,0	202,9
Education	17%	253,8	216,2
Resourcing	(19%)	26,3	32,6
Central administration	7%	(47,9)	(44,8)
Litigation		(2,2)	(1,1)
Property, plant and equipment	19%	812,9	682,3
Education	19%	809,5	679,1
Resourcing	6%	3,4	3,2

Condensed consolidated statement of cash flows for the year ended 31 December 2011

R'm	Note	Percentage increase	Audited 31 Dec 2011	Audited 31 Dec 2010
Cash generated from operations	3	9%	301,9	276,1
Movement in working capital			31,8	(4,3)
Cash generated by operating activities		23%	333,7	271,8
Net interest received			10,8	9,2
Taxation paid			(117,6)	(78,1)
Capital distributions paid			(44,7)	(84,2)
Dividends paid			(47,8)	–
Net cash inflow from operating activities			134,4	118,7
Net cash outflow from investing activities			(187,2)	(122,3)
Net cash (outflow)/inflow from financing activities			(8,6)	1,5
Net decrease in cash and cash equivalents			(61,4)	(2,1)
Cash and cash equivalents at beginning of the year			37,5	39,6
Cash and cash equivalents at end of the year			(23,9)	37,5

Free operating cash flow before capex per share for the year ended 31 December 2011

R'm	Percentage increase	Audited 31 Dec 2011	Audited 31 Dec 2010
Total comprehensive income for the year		156,3	148,8
Adjusted for non-cash IFRS and lease adjustments (after taxation)		8,5	5,5
Net operating profit after taxation – adjusted for non-cash IFRS and lease adjustments		164,8	154,3
Depreciation and amortisation		62,3	66,4
Other non-cash flow items (after taxation)		5,5	(0,2)
Operating cash flow after taxation	6%	232,6	220,5
Movement in working capital		31,8	(4,3)
Free operating cash flow before capex	22%	264,4	216,2
Weighted average number of shares for purposes of basic earnings per share (million)		400,8	399,9
Free operating cash flow before capex per share (cents)	22%	66,0	54,1

Notes to condensed consolidated financial statements for the year ended 31 December 2011

1. Statement of compliance

The condensed financial information has been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRSs) of the International Accounting Standards Board, the AC 500 standards as issued by the Accounting Practices Board and with the Listing Requirements of the JSE Limited as well as the South African Companies Act, 71 of 2008 and the information as required by IAS 34: Interim Financial Reporting. The report has been prepared using accounting policies that comply with IFRS and which are consistent with those applied in the financial statements for the year ended 31 December 2010. The preparation of the Group's consolidated financial results for the year ended 31 December 2011 was supervised by Didier Oesch CA(SA), the Group's financial director.

There have been no material subsequent events since year end.

Independent auditors' opinion

The auditors, Deloitte & Touche, have issued their opinion on the Group's financial statements for the year ended 31 December 2011. Their audit was conducted in accordance with International Standards on Auditing. They have issued an unmodified audit opinion. These condensed financial statements have been derived from the Group financial statements and are consistent in all material respects with the Group financial statements. A copy of their audit report is available for inspection at the Company's registered office.

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

R'm	Audited 31 Dec 2011	Audited 31 Dec 2010
Determination of headline earnings		
Total comprehensive income for the year	156,3	148,8
Items excluded from headline earnings per share	5,5	(0,2)
Loss/(profit) on sale of property, plant and equipment	0,3	(0,3)
Impairment of intangible asset	5,3	–
Taxation effects of adjustments	5,6	(0,3)
	(0,1)	0,1
Headline earnings	161,8	148,6
Note to the statement of cash flows		
Reconciliation of profit before taxation to cash generated from operations		
Profit before taxation	235,5	212,1
Adjust for non-cash IFRS and lease adjustments (before taxation)	9,3	7,1
Adjust:	244,8	219,2
Depreciation and amortisation	57,1	56,9
Net interest received	62,3	66,4
Impairment of intangible asset	(10,8)	(9,2)
Other non-cash flow items	5,3	–
	0,3	(0,3)
Cash generated from operations	301,9	276,1

Commentary

Overview

The ADvTECH Group returned to earnings growth in 2011 and built on the progress made in the first half to record 9% growth in headline earnings per share (HEPS) to 40.4 cents. If the effect of Secondary Taxation on Companies (STC) of 1.2 cents per share (2010: nil) is excluded from the current year's results, headline earnings per share on a comparable basis would show an increase of 12%. The hallmark of these results is the strong improvement in revenue and operating margin in the Education division, which enabled a renewed acceleration in investment into new education projects. Outstanding academic results at both schools and tertiary level, reflecting a further improvement on the already high standard, underline the continuing resolute focus on quality education in the Group's operations. This in turn attracts increasing student numbers from all parts of South African society and further afield.

Our 1 190 Matric candidates achieved a 100% pass rate with all but two qualifying for entrance into higher education institutions. Collectively they achieved 2 759 subject distinctions, and even more pleasing were the excellent overall results achieved in key subjects such as Mathematics, Accounting, Physical Science and English.

At post-schooling level, 3 233 (2010: 2 931) of our students graduated with qualifications at certificate, diploma, degree or honours level, which were conferred at the 17 graduation ceremonies held by The Independent Institute of Education (IIE). The overall pass rate of our students in Unisa exams at 74% is significantly ahead of national averages. In an important step in the growth of our institutions, the IIE gained accreditation of its BCom and BA degrees which were launched at our Varsity College campuses in the 2012 academic year. These degrees are recognised internationally by The Open University, United Kingdom, and have already attracted significant enrolment.

The Resourcing division again contributed to profits and cash flow. The Division's focus on key niche markets and the strength of the Group's operating model stood it in good stead given the difficulties experienced by much of the employment services industry. Consequently 3 977 (2010: 4 100) candidates were placed in new career positions and the Division maintained a sound return on funds employed.

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

Financial

The Group reported a 9% increase in revenue to R1.6 billion. Operating profit increased 13% to R230 million and operating margin improved to 14.3% (2010: 13.8%). The effective taxation rate increased to 33.6% (2010: 29.8%) mainly as a result of STC of R4.8 million (2010: nil). Taking this additional charge into account resulted in headline earnings per share increasing by 9% to 40.4 cents (2010: 37.2 cents), whilst on a basis made comparable by excluding STC, headline earnings per share reflected an increase of 12% over 2010. The impairment of the intangible asset amounting to R5.3 million has occurred within the Resourcing division and arises as a result of the underperformance of a small acquisition as against original expectations.

Revenue in the Education division increased 11% to R1.4 billion and operating profit increased 17% to R254 million. Thus operating margin improved to 18% (2010: 17%). The Resourcing division achieved revenue of R207 million (2010: R208 million) for the year, but due to inflationary cost pressures operating profit fell by 19% to R26 million.

Free operating cash flow before capex per share increased a pleasing 22% to 66.0 cents (2010: 54.1 cents) per share and represents cash conversion of earnings of 163% (2010: 145%). This was achieved notwithstanding a 34% increase in net debtors which reflects an increase in the collection period applicable to certain tertiary fees and the decision to increase in-house collection procedures. The benefit of this decision is felt in improved operating margin.

This strong cash flow performance enabled the Group to fund from its own resources capital expenditure of R188 million (2010: R105 million), company taxation of R118 million (2010: R78 million) and distributions to shareholders of R93 million (2010: R84 million). The balance sheet also strengthened with net asset value per share increasing by 6% while net geared was 3% at year end. During the year 20 041 909 shares were issued and allotted to the ADvTECH Limited Share Incentive Trust at R5.60 per share. These shares have been treated as treasury shares and eliminated on consolidation.

The Group's strong financial position favours a final distribution to shareholders. Having regard to the transitional arrangements relating to the phasing out of Secondary Taxation on Companies (STC) and its replacement with Dividends Tax, the Board has decided to defer the consideration of a final distribution until after 1 April 2012, but as soon as practicable thereafter.

Investment

Strengthening demand for education places enabled the Group to accelerate its strategic investment in new capacity and infrastructure in 2011. As a result, capital expenditure in the year increased as noted above and capital commitments at the end of the year amounted to R136 million (2010: R94 million).

At the beginning of 2012 new campuses were opened at Trinityhouse Little Falls, Varsity College Midrand and College Campus Auckland Park. A number of new or expanded campuses are planned to open in 2013 and beyond, details of which will be announced in due course.

Education

The Education division houses the Group's education brands including The Independent Institute of Education (IIE), Abbotts College, College Campus, Corporate College International, CrawfordSchools™, The Design School Southern Africa, Forbes Lever Baker, Imfundo, Junior Colleges, Rosebank College, The National College of Photography, Trinityhouse, Varsity College and Vega. Collectively, these 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 2011, these activities addressed the needs of 35 300 (2010: 32 500) full-time students at the 57 (2010: 59) education sites across South Africa from which the Group operates. 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 58 (2010: 50) education programmes accredited between NQF levels 4 and 7 offered across 22 campuses, 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, Inkoheli HR Appointments, Insource, ICT, IT Edge, Network Recruitment, Tech-Pro Personnel, Vertex-Kapele and The Working Earth. The Division's major activities are in the fields of permanent staffing, recruitment advertising and advertising response handling.

The Resourcing division maintained its 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 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. The great majority of students and candidates placed are black. The Group maintained steady progress in growing the black complement of its senior management as well as its overall black staff complement, which has reached 40%. The Board Transformation Committee continues to guide the Group's progress against the relevant Department of Trade and Industry codes and the JSE Socially Responsible Investment Index, of which ADvTECH has been a constituent for the past six years.

Litigation

Legal proceedings against Marina and Andry Welihockyj remain in process and are moving steadily towards trial. 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.

Directorate

Mr DK Ferreira will retire by rotation at the Annual General Meeting to be held on 22 May 2012 and, although eligible, has indicated that he will not offer himself for re-election.

Prospects

Tough economic circumstances for many of South Africa's principal trading partners have blunted both growth prospects and sentiment in the domestic economy. Although South Africa remains out of recession, real growth is insufficient to drive job creation. The value of a good education in securing decent employment in a modern economy has grown under these circumstances and the Group's unrelenting focus on academic quality and performance will stand it in good stead. The Resourcing division holds a strong market position and will remain focused on its key niche markets for high demand scarce skills.

The increase in actual and planned investment is propelled by our vision, which remains to build a long term enterprise that offers increasing access to world class education and job opportunities through the services of a dedicated team.

On behalf of the Board

Leslie Maasdorp
Chairman
19 March 2012

Frank Thompson
Chief Executive Officer