ADvTECH GROUP

| | | |
|---|---|---|
| Revenue | ^ | 23% |
| Operating profit | ^ | 17% |
| Diluted HEPS | ^ | 7% |
| Distribution per share | ^ | 7% |

# Interim Results for the six months ended 30 June 2009

## CONDENSED CONSOLIDATED INCOME STATEMENT
for the six months ended 30 June 2009

| R'000 | Note | Percentage increase/ (decrease) | Unaudited 6 months to 30 June 2009 | Unaudited 6 months to 30 June 2008 | Audited 12 months to 31 Dec 2008 |
|---|---|---|---|---|---|
| **Revenue** | | 23% | 693 225 | 562 839 | 1 197 793 |
| Earnings before Interest, Taxation, Depreciation & Amortisation (EBITDA) | | 20% | 131 316 | 109 770 | 246 315 |
| **Operating profit** | | 17% | 103 306 | 87 950 | 200 693 |
| Net interest received | | | 8 388 | 13 917 | 21 877 |
| Interest received | | | 8 908 | 14 983 | 22 949 |
| Finance costs | | | (520) | (1 066) | (1 072) |
| Profit before taxation | | 10% | 111 694 | 101 867 | 222 570 |
| Taxation | | | (33 033) | (30 232) | (67 123) |
| **Profit for the period** | | 10% | 78 661 | 71 635 | 155 447 |
| **Earnings per share** | | | | | |
| Basic (cents) | | 5% | 19.6 | 18.7 | 40.2 |
| Diluted (cents) | | 8% | 19.6 | 18.2 | 40.0 |
| **Headline earnings** | 2 | | 78 632 | 71 647 | 155 463 |
| **Headline earnings per share** | | | | | |
| Basic (cents) | | 5% | 19.6 | 18.7 | 40.2 |
| Diluted (cents) | | 7% | 19.6 | 18.3 | 40.0 |
| Number of shares in issue ('000) | | | 400 838 | 393 665 | 393 665 |
| Diluted number of shares ('000) | | | 400 930 | 392 544 | 389 053 |
| Weighted average number of shares in issue ('000) | | | 400 930 | 384 042 | 386 469 |
| Net asset value per share (cents) | | 22% | 138.4 | 113.6 | 129.3 |
| Free operating cash flow before capex per share (cents) | | (2%) | 56.2 | 57.5 | 52.9 |
| Distribution per share (cents) | | 7% | 7.5 | 7.0 | 20.0 |

## CONDENSED CONSOLIDATED BALANCE SHEET
as at 30 June 2009

| R'000 | Unaudited 30 June 2009 | Unaudited 30 June 2008 | Audited 31 Dec 2008 |
|---|---|---|---|
| **Assets** | | | |
| **Non–current assets** | 776 749 | 527 361 | 665 258 |
| Property, plant and equipment | 590 035 | 457 631 | 560 127 |
| Goodwill | 84 641 | – | 38 359 |
| Intangible assets | 53 199 | 34 573 | 48 200 |
| Deferred taxation assets | 48 874 | 35 157 | 18 572 |
| **Current assets** | 248 902 | 334 060 | 133 734 |
| Trade and other receivables | 132 172 | 94 334 | 89 945 |
| Cash and cash equivalents | 116 730 | 239 726 | 43 789 |
| **Total assets** | 1 025 651 | 861 421 | 798 992 |
| **Equity and liabilities** | | | |
| **Equity** | 554 842 | 447 367 | 508 895 |
| **Non–current liabilities** | 11 855 | 4 680 | 11 981 |
| **Current liabilities** | 458 954 | 409 374 | 278 116 |
| Trade and other payables | 165 167 | 155 488 | 155 129 |
| Taxation | 65 060 | 43 768 | 39 405 |
| Fees received in advance | 228 727 | 210 118 | 83 582 |
| **Total equity and liabilities** | 1 025 651 | 861 421 | 798 992 |

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 June 2009

| R'000 | Unaudited 6 months to 30 June 2009 | Unaudited 6 months to 30 June 2008 | Audited 12 months to 31 Dec 2008 |
|---|---|---|---|
| Balance at beginning of period | 508 895 | 414 924 | 414 924 |
| Total recognised income and expense for the period | 96 794 | 74 589 | 163 444 |
| Share-based payment expense | 856 | 503 | 1 496 |
| Profit for the period | 78 661 | 71 635 | 155 447 |
| Shares issued for business acquisition | 35 550 | – | – |
| Shares purchased by the Share Incentive Trust | (12 472) | – | – |
| Share buy-back | (7 579) | – | – |
| Share options exercised | 2 896 | 2 451 | 4 456 |
| Share awards granted | – | – | 1 008 |
| Broad based shares granted | – | – | 221 |
| Foreign exchange contract reserve | (1 118) | – | 816 |
| Capital distributions to shareholders | (50 847) | (42 146) | (69 473) |
| **Balance at end of the period** | 554 842 | 447 367 | 508 895 |

## CONDENSED SEGMENTAL REPORT
for the six months ended 30 June 2009

| R'000 | Percentage increase/ (decrease) | Unaudited 6 months to 30 June 2009 | Unaudited 6 months to 30 June 2008 | Audited 12 months to 31 Dec 2008 |
|---|---|---|---|---|
| Revenue | 23% | 693 225 | 562 839 | 1 197 793 |
| Education | 25% | 583 211 | 465 897 | 977 288 |
| Resourcing | 14% | 111 162 | 97 920 | 223 193 |
| Intra Group revenue | | (1 148) | (978) | (2 688) |
| Operating profit | 17% | 103 306 | 87 950 | 200 693 |
| Education | 25% | 107 442 | 86 151 | 192 013 |
| Resourcing | (22%) | 15 980 | 20 478 | 47 322 |
| Central administration | 9% | (20 059) | (18 400) | (37 788) |
| Litigation expenses | | (57) | (279) | (854) |

## SUPPLEMENTARY INFORMATION
for the six months ended 30 June 2009

| R'000 | Unaudited 6 months to 30 June 2009 | Unaudited 6 months to 30 June 2008 | Audited 12 months to 31 Dec 2008 |
|---|---|---|---|
| Capital expenditure – current period | 55 255 | 37 471 | 97 840 |
| Capital commitments – remainder of the year | 103 243 | 101 826 | – |
| – future years | – | – | 195 087 |
| Operating lease commitments in cash – future years | 304 977 | 192 294 | 362 910 |

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT
for the six months ended 30 June 2009

| R'000 | Note | Percentage increase/ (decrease) | Unaudited 6 months to 30 June 2009 | Unaudited 6 months to 30 June 2008 | Audited 12 months to 31 Dec 2008 |
|---|---|---|---|---|---|
| Cash generated by operations | 3 | 20% | 134 854 | 112 189 | 251 492 |
| Generated by decrease in/(utilised to increase) working capital | | | 115 826 | 125 370 | (982) |
| Cash generated by operating activities | | 6% | 250 680 | 237 559 | 250 510 |
| Net interest received | | | 8 388 | 13 917 | 21 877 |
| Taxation paid | | | (37 679) | (24 376) | (49 042) |
| Capital distributions | | | (49 245) | (42 146) | (69 316) |
| Net cash inflow from operating activities | | | 172 144 | 184 954 | 154 029 |
| Net cash outflow from investing activities | | | (118 969) | (59 872) | (234 929) |
| Net cash inflow/(outflow) from financing activities | | | 19 769 | (3 419) | 6 623 |
| Net increase/(decrease) in cash and cash equivalents | | | 72 944 | 121 663 | (74 277) |
| Cash and cash equivalents at beginning of the period | | | 43 789 | 118 061 | 118 061 |
| Net foreign exchange differences on cash and cash equivalents | | | (3) | 2 | 5 |
| Cash and cash equivalents at end of the period | | | 116 730 | 239 726 | 43 789 |
| **Free operating cash flow before capex per share (cents)** | | | | | |
| Net operating profit after taxation | | | 78 661 | 71 635 | 155 447 |
| Adjust for non-cash IFRS and lease adjustments (after taxation) | | | 2 787 | 1 854 | 4 365 |
| Net operating profit after taxation – adjusted for non-cash IFRS and lease adjustments | | | 81 448 | 73 489 | 159 812 |
| Depreciation and amortisation | | | 28 010 | 21 820 | 45 622 |
| Other non–cashflow income statement items (after taxation) | | | (40) | 14 | 16 |
| Operating cash flow after taxation | | 15% | 109 418 | 95 323 | 205 450 |
| Working capital changes | | | 115 826 | 125 370 | (982) |
| Free operating cash flow before capex | | 2% | 225 244 | 220 693 | 204 468 |
| Weighted average number of shares in issue ('000) | | | 400 930 | 384 042 | 386 469 |
| Free operating cash flow before capex per share (cents) | | (2%) | 56.2 | 57.5 | 52.9 |

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
for the six months ended 30 June 2009

**1. *Statement of compliance***

The financial statements have been prepared using accounting policies that comply with International Financial Reporting Standards and are presented in accordance with IAS 34.

The accounting policies and methods of computation are consistent with those applied in the previous year.

| R'000 | Unaudited 6 months to 30 June 2009 | Unaudited 6 months to 30 June 2008 | Audited 12 months to 31 Dec 2008 |
|---|---|---|---|
| **2. *Determination of headline earnings*** | | | |
| Earnings attributable to equity holders per the income statement | 78 661 | 71 635 | 155 447 |
| Items excluded from headline earnings per share | (29) | 12 | 16 |
| (Profit)/loss on sale of assets | (40) | 16 | 15 |
| Loss on sale of investment | – | – | 5 |
| | (40) | 16 | 20 |
| Taxation effects on adjustments | 11 | (4) | (4) |
| **Headline earnings** | 78 632 | 71 647 | 155 463 |
| **3. *Note to the cash flow statement*** | | | |
| Reconciliation of profit before taxation to cash generated by operations | | | |
| Profit before taxation | 111 694 | 101 867 | 222 570 |
| Non-cash IFRS and lease adjustments (before taxation) | 3 578 | 2 405 | 5 161 |
| | 115 272 | 104 272 | 227 731 |
| Add back: | 19 582 | 7 917 | 23 761 |
| Depreciation and amortisation | 28 010 | 21 820 | 45 622 |
| Net interest received | (8 388) | (13 917) | (21 877) |
| Other non-cashflow income statement items | (40) | 14 | 16 |
| **Cash generated by operations** | 134 854 | 112 189 | 251 492 |
| **4. *Business combinations*** | | | |
| Forbes Lever baker was acquired on 1 January 2009 for consideration amounting to R56.7 million. The purchase consideration has been allocated as indicated below. | | | |
| **Non-current assets acquired** | | | |
| Intangible assets | 7 705 | | |
| Goodwill | 46 534 | | |
| Plant and equipment | 2 464 | | |
| **Consideration paid** | 56 703 | | |

## DIRECTORS' COMMENT ON RESULTS

***Overview***

The directors are pleased to report healthy results for the six month period to 30 June 2009. The larger Education division has once again displayed its defensive nature and the Group achieved improvements in both revenue and earnings in a challenging global and local economic climate which has severely affected consumer spending and employment.

The strength of ADvTECH's performance demonstrates its capacity to deliver excellent value during times of prosperity and economic challenge alike. Notwithstanding the stringent market conditions, the Group is growing student numbers across the board and maintaining its proven focus on specialised niche areas of the recruitment industry. ADvTECH's priorities remain centered on sustained excellence and growth and the Group continues prudently to invest in infrastructure and academic resources.

Revenue increased by 23% (2008: 19%) with both divisions contributing to growth. Organic growth of 15% and 2% in the Education and Resourcing divisions respectively ensured overall organic growth of 13%. The balance of the increase in revenue arose from the financial effects of acquisitions reported over the last 18 months.

Earnings before interest, taxation, depreciation and amortisation (EBITDA) increased by 20% to R131 million (2008: R110 million). Operating profit increased by 17% to R103 million (2008: R88 million) after taking into account increased amortisation of intangible assets arising from recent acquisitions. Profit for the period increased by 10% to R79 million (2008: R72 million) despite the reduction in interest earned. The weighted average number of shares increased by 4%, due mainly to the issue of 9 million shares as part of the purchase consideration for Forbes Lever Baker (FLB). Basic headline earnings per share increased by 5% to 19.6 cents (2008: 18.7 cents) and diluted headline earnings per share increased by 7% also to 19.6 cents (2008: 18.3 cents). The distribution per share in this period has been increased by 7% from 7.0 cents to 7.5 cents.

***Education***

The Education division is a leader in the independent education sector and operates under the academic direction and guidance of the Independent Institute of Education (IIE), which encompasses 20 registered Higher Education campuses as well as 31 school sites. The education brands include Abbotts College, CrawfordSchools™, College Campus, Junior Colleges, Rosebank College, Trinityhouse, Varsity College, Vega, incorporating The National College of Photography, Imfundo, incorporating Corporate College International and the recently acquired FLB, a specialist school of accounting and finance at undergraduate and postgraduate levels.

The Education division contributed 84% (2008: 83%) to Group revenue, with revenue increasing by 25% to R583 million (2008: R466 million) and operating profit by 25% to R107 million (2008: R86 million). Operating margin was unchanged as the value and quality of the Group's offerings enabled the education brands to respond effectively to pressures on consumer and other spending.

***Resourcing***

The Resourcing division's activities include recruitment, placement, temporary staffing, response handling and HR contracting. Its portfolio of brands includes Brent Personnel, Cassel & Company, Communicate Personnel, Insource.ICT, Inkokheli HR Appointments, IT Edge, Network Recruitment, Pro Rec Recruitment, Tech-Pro Personnel, Vertex-Kapele and The Working Earth.

The Resourcing division contributed 16% (2008: 17%) to Group revenue, with revenue increasing by 14% to R111 million (2008: R98 million). Whilst market conditions have placed the recruitment industry under significant pressure, ADvTECH's Resourcing division was protected from this trend by the niche vocational specialities for which the Group's brands are well known. Operating profit declined to R16 million (2008: R20 million), a creditable performance in relative terms.

***Central administration and litigation***

Central administration costs increased by 9% to R20 million (2008: R18 million). This increase is largely in line with inflation and escalations demanded by third party providers.

Legal proceedings against Marina and Andry Welihockyj remain in process with preparation for trial continuing. ADvTECH has been awarded a number of procedural and costs orders against the Welihockyj's, and these cost recoveries have contributed to the modest level of net litigation expenditure.

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.

***Balance sheet and cash flow***

ADvTECH's quality of earnings is underpinned by further improvement in free operating cash flow before capex to R225 million (2008: R221 million). This has accompanied a further strengthening of the Group's balance sheet with the net asset value increasing by 24% to R555 million (2008: R447 million), while cash on hand amounted to R117 million (2008: R240 million). The value of goodwill and intangible assets has increased by R85 million and R19 million respectively as a result of acquisitions over the last 18 months, including FLB and Trinityhouse.

Cash generated by operating activities of R251 million (2008: R238 million) enabled the Group to fund capital expenditure of R55 million (2008: R37 million), the acquisition of FLB and pay a capital distribution of R49 million (2008: R42 million) from its own resources. In addition, 4.8 million ADvTECH Limited shares were acquired at a cost of R20 million in terms of the authority granted to the directors. Given these appropriations of the Group's cash resources and the reduced interest rate yields on cash balances during the period, interest earnings reduced to R9 million (2008: R15 million).

***Capital reduction out of share premium ("distribution")***

The Board has resolved to declare an interim distribution to shareholders by way of capital distribution out of share premium of 7.5 cents per share (2008: 7.0 cents) for the period ended 30 June 2009. The authority to make this payment to shareholders was obtained at the Annual General Meeting held on 19 May 2009.

Set out in the table below are 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 net tangible asset value per share based on the Group's unaudited financial results as at and for the period ended 30 June 2009. The pro-forma financial information is the responsibility of the Company's directors.

| | Before the distribution[1] | After the distribution | Percentage change |
|---|---|---|---|
| Earnings per share (cents) | 19.6 | 19.4[2] | (1%) |
| Headline earnings per share (cents) | 19.6 | 19.4[2] | (1%) |
| Weighted average number of shares in issue ('000) | 400 930 | 400 930 | – |
| Net asset value per share (cents) | 138.4 | 131.0[3] | (5%) |
| Tangible net asset value per share (cents) | 104.0 | 96.6[3] | (7%) |
| Number of shares in issue ('000) | 400 838 | 400 838 | – |

Notes:
1. Extracted from the unaudited financial results for the period ended 30 June 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 9% 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 30 June 2009.

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

| | 2009 |
|---|---|
| Last day to trade in order to participate in the distribution | Friday, 11 September |
| Trading commences ex distribution | Monday, 14 September |
| Record date | Friday, 18 September |
| Payment date | Monday, 21 September |

Share certificates may not be dematerialised or rematerialised between Monday, 14 September 2009 and Friday, 18 September 2009, both days inclusive.

***Directorate***

On 17 July 2009 Mr. Leslie Maasdorp was appointed as an independent non-executive director.

Mr. Michael Sacks, who retired as Chairman in 2008, has continued to act as Chairman but has retired from all Board Committees. New appointments have been made to these Committees from incumbent non-executive board members.

***Prospects***

High academic standards, quality of instruction and the graduation statistics and subsequent career achievements by students at all levels of ADvTECH's education offerings remain the most compelling factors for optimism going forward. The Resourcing division's performance is likely to track economic indices more closely, but the division's reputation for service and delivery, as well as its niche sector focus, are likely to count in its favour in striving to achieve greater market share in the period ahead.

The Group is confident of its strategic strength and financial health, and will continue to build on its tested business model. Management will prudently control resources and expenditure without compromising the provision of services and education quality.

Given the forward momentum and favourable positioning of the Group, the directors remain positive regarding the Group's prospects for the full year.

**Michael Sacks**
Chairman

**Frank Thompson**
Chief Executive Officer

Johannesburg
24 August 2009


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

**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

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

**Group Company Secretary:** SC O'Connor


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