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

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Audited Results for the year ended 31 December 2013

5%	▲	Revenue
11%	▲	Group operating profit
49%	▲	Tertiary operating profit
12%	▲	Headline earnings per share
9%	▲	Free operating cash flow
25.5 cents	▲	Dividends per share for the year

Summarised consolidated statement of comprehensive income

for the year ended 31 December 2013

R'm	Note	Percentage increase	Audited 31 Dec 2013	Audited 31 Dec 2012
Revenue		5%	**1 766.3**	1 687.2
Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA)		9%	**291.6**	267.6
Operating profit before interest and impairment		11%	**221.7**	200.0
Impairment of tangible assets			**–**	(1.5)
Net interest received			**3.0**	4.0
Interest received			**6.1**	7.8
Finance costs			**(3.1)**	(3.8)
Profit before taxation			**224.7**	202.5
Taxation			**(69.0)**	(64.1)
Total comprehensive income for the year			**155.7**	138.4
Earnings per share (cents)				
Basic		12%	**38.5**	34.4
Diluted		12%	**38.5**	34.4
Headline earnings	2		**156.0**	139.1
Headline earnings per share (cents)				
Basic		12%	**38.6**	34.6
Diluted		12%	**38.6**	34.6
Number of shares in issue (million)			**421.3**	421.3
Number of shares in issue net of treasury shares (million)			**404.0**	404.0
Weighted average number of shares for purposes of basic earnings per share (million)			**404.0**	402.3
Weighted average number of shares for purposes of diluted earnings per share (million)			**404.3**	402.5
Net asset value per share including treasury shares (cents)		8%	**202.5**	188.3
Net asset value per share net of treasury shares (cents)		8%	**211.1**	196.3
Free operating cash flow before capex per share (cents)		9%	**73.4**	67.4
Gross dividends per share (cents)		6%	**25.5**	24.0

Summarised consolidated statement of financial position

as at 31 December 2013

R'm	Audited 31 Dec 2013	Audited 31 Dec 2012
Assets		
Non-current assets	**1 397.6**	1 131.8
Property, plant and equipment	**1 198.6**	929.8
Proprietary technology systems	**44.0**	50.1
Goodwill	**98.2**	98.2
Intangible assets	**27.0**	31.1
Deferred taxation assets	**17.8**	22.6
Investment	**12.0**	–
Current assets	**235.1**	203.9
Trade and other receivables	**111.5**	111.0
Other current assets	**26.0**	19.0
Bank balances and cash	**97.6**	73.9
Total assets	**1 632.7**	1 335.7
Equity and liabilities		
Equity	**853.0**	793.1
Current liabilities	**779.7**	542.6
Revolving credit loan	**300.0**	120.0
Trade and other payables	**281.4**	226.5
Provision	**1.8**	5.2
Taxation	**3.1**	5.8
Fees received in advance and deposits	**193.4**	169.0
Bank overdraft	**–**	16.1
Total equity and liabilities	**1 632.7**	1 335.7

Summarised consolidated segmental report

for the year ended 31 December 2013

R'm	Percentage increase/ (decrease)	Audited 31 Dec 2013	Audited 31 Dec 2012
Revenue	5%	**1 766.3**	1 687.2
Schools	11%	**818.6**	739.2
Tertiary	2%	**750.5**	738.5
Resourcing	(5%)	**200.0**	211.3
Intra Group revenue		**(2.8)**	(1.8)
Operating profit before interest and impairment	11%	**221.7**	200.0
Schools	6%	**157.0**	147.7
Tertiary	49%	**48.0**	32.3
Resourcing	(18%)	**18.1**	22.0
Litigation		**(1.4)**	(2.0)
Property, plant and equipment and proprietary technology systems	27%	**1 242.6**	979.9
Schools	35%	**940.0**	698.6
Tertiary	8%	**299.7**	278.2
Resourcing	(6%)	**2.9**	3.1

Summarised consolidated statement of changes in equity

for the year ended 31 December 2013

R'm	Audited 31 Dec 2013	Audited 31 Dec 2012
Balance at beginning of the year	**793.1**	751.2
Total comprehensive income for the year	**155.7**	138.4
Dividends declared to shareholders	**(99.6)**	(107.4)
Share-based payment expense and awards	**3.0**	5.1
Share options exercised	**0.8**	5.8
Balance at end of the year	**853.0**	793.1

Supplementary information

for the year ended 31 December 2013

R'm	Audited 31 Dec 2013	Audited 31 Dec 2012
Capital expenditure – current year	**334.5**	231.5
Capital commitments	**1 176.2**	1 096.5
Authorised by directors and contracted for	**186.4**	130.5
Authorised by directors and not yet contracted for	**989.8**	966.0
Anticipated timing of spend	**1 176.2**	1 096.5
0 – 2 years	**357.9**	319.4
3 – 5 years	**306.6**	225.6
more than 5 years	**511.7**	551.5
Operating lease commitments in cash – future years	**301.3**	295.4

Summarised consolidated statement of cash flows

for the year ended 31 December 2013

R'm	Note	Percentage increase	Audited 31 Dec 2013	Audited 31 Dec 2012
Cash generated from operations	3	8%	**295.9**	275.2
Movement in working capital			**67.2**	57.1
Cash generated by operating activities		9%	**363.1**	332.3
Net interest received			**3.0**	4.0
Taxation paid			**(66.9)**	(42.7)
Dividends paid			**(99.4)**	(107.2)
Net cash inflow from operating activities			**199.8**	186.4
Net cash outflow from investing activities			**(340.9)**	(230.4)
Net cash inflow from financing activities			**180.9**	125.7
Net increase in cash and cash equivalents			**39.8**	81.7
Cash and cash equivalents at beginning of the year			**57.8**	(23.9)
Cash and cash equivalents at end of the year			**97.6**	57.8

Reclassifications occurred from investing activities to financing and operating activities to better reflect the nature of the cash flows. This did not affect the total movement or value of cash and cash equivalents.

Free operating cash flow before capex per share

for the year ended 31 December 2013

R'm	Percentage increase	Audited 31 Dec 2013	Audited 31 Dec 2012
Total comprehensive income for the year		**155.7**	138.4
Adjusted for non-cash IFRS and lease adjustments (after taxation)		**3.6**	7.3
Net operating profit after taxation – adjusted for non-cash IFRS and lease adjustments		**159.3**	145.7
Depreciation and amortisation		**69.9**	67.6
Other non-cash flow items (after taxation)		**0.3**	0.7
Operating cash flow after taxation	7%	**229.5**	214.0
Movement in working capital		**67.2**	57.1
Free operating cash flow before capex	9%	**296.7**	271.1
Weighted average number of shares for purposes of basic earnings per share (million)		**404.0**	402.3
Free operating cash flow before capex per share (cents)	9%	**73.4**	67.4

Notes to the summarised consolidated financial statements

for the year ended 31 December 2013

1. Statement of compliance

The summary 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 summary 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 applied in the preparation of the consolidated financial statements, from which the summary 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. The preparation of the Group's consolidated financial results for the year ended 31 December 2013 was supervised by Didier Oesch CA(SA), the Group's financial director.

There have been no material subsequent events since year end.

Independent auditor's opinion

These summary consolidated financial statements for the year ended 31 December 2013 have been audited by Deloitte & Touche, who expressed an unmodified opinion thereon. The auditor also expressed an unmodified opinion on the annual financial statements from which these summary consolidated financial statements were derived.

A copy of the auditor's report on the summary consolidated financial statements and of the auditor's report on the annual 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.

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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 reviewed or reported on by the Company's auditors.

R'm	Audited 31 Dec 2013	Audited 31 Dec 2012
2. Determination of headline earnings		
Total comprehensive income for the year	**155.7**	138.4
Items excluded from headline earnings per share	**0.3**	0.7
Loss/(profit) on sale of property, plant and equipment	**0.4**	(0.6)
Impairment of tangible assets	**–**	1.5
	0.4	0.9
Taxation effects of adjustments	**(0.1)**	(0.2)
Headline earnings	**156.0**	139.1
3. Note to the statement of cash flows		
Reconciliation of profit before taxation to cash generated from operations		
Profit before taxation	**224.7**	202.5
Adjust for non-cash IFRS and lease adjustments (before taxation)	**3.9**	8.2
	228.6	210.7
Adjust:	**67.3**	64.5
Depreciation and amortisation	**69.9**	67.6
Net interest received	**(3.0)**	(4.0)
Impairment of tangible assets	**–**	1.5
Other non-cash flow items	**0.4**	(0.6)
Cash generated from operations	**295.9**	275.2

Commentary

Overview

The directors are delighted to report a return to earnings growth for the year ended 31 December 2013, with all three Divisions contributing profitably. The trend of improvement established in the first half was maintained and strengthened, particularly in the Tertiary division.

The Group's reputation for academic excellence has been enhanced further by the class of 2013. The 1 344 Matric candidates excelled, with 84% achieving university entrance and 2 954 distinctions in total. We were again acknowledged as top performing schools when the deputy Minister of Basic Education, Dr Enver Surty, addressed the Group's Top Achievers Awards function on 17 January this year. In the Tertiary division, 3 484 students graduated with IIE qualifications at certificate, diploma, degree, or honours level. The module success rate in the IIE degree programmes has reached 85% with a distinction rate above 16%. Students continued to excel in external examinations, with the final year accounting class at Varsity College obtaining six of the top 20 positions in the UNISA level 1 CTA examinations and six of the top ten in the level 2 CTA examinations which included the top student. Varsity College students also achieved a 90% pass rate for the SAICA part 1 board exam. The first year of delivery of the LLB programme at Varsity College in the joint venture with the University of Free State has been most successful and has led to a broadening of the offering in the study of law. The Graduate Employment programme found jobs for 858 Rosebank College graduates in 2013 which represents a 59% increase in placements.

In 2013, some 13 200 students attended our 37 schools. While our tertiary brands served 20 200 full-time and 8 800 part-time and short learning programme students on its 23 sites.

Financial

Group revenue increased by 5% to R1.8 billion while operating profit increased 11% to R222 million at a margin of 12.6% (2012: 11.9%). Net interest earned declined with the increased use of cash generated and revolving credit facilities to finance the construction of new infrastructure. Headline earnings and basic earnings per share both increased by 12% to 38.6 cents and 38.5 cents respectively which compares to a 7% improvement at mid-year.

Revenue in the Schools division increased by 11%, with the increase above inflation driven by growing student numbers, particularly in the Trinityhouse brand. Operating profit grew by 6% as the Division incurred costs ahead of the opening of four new schools in January 2014. The Schools division continues to experience increased demand at both established and newer sites, with waiting lists remaining a feature at sought after entry points.

The Tertiary division reported a revenue increase of 2%. This reflects the combined effects of the flow through into the second year of study of the poor first year intake in 2012 and the rationalisation and restructuring projects of the last two years (student numbers in part-time and short courses being particularly affected). Both Varsity College and Vega have sustained their solid and growing contribution through this period. Operating profit increased by 49% as efficiency and effectiveness improved.

The Resourcing division encountered tough market conditions with both the volume and turnaround time of new placements being affected. Under these circumstances the Division reported a decline in revenue and operating profit while maintaining positive cash flow and solid return on funds employed. Continued focus on existing strong market positions in key niches and cost effective operations have stood the Division in good stead during this period.

Free operating cash flow before capex per share grew by 9% to 73.4 cents (2012: 67.4 cents) which represents cash conversion of 1.9 times earnings. Tight control was maintained over capital creditors and debtors with the latter increasing by just 0.5% compared to revenue growth of 5%. A healthy increase in fees received in advance has been achieved, with an important driver being the new schools opening in 2014. Effective cash management enabled the Group to fund a 44% increase in capex to R335 million, company taxation of R67 million (2012: R43 million) and dividends of R99 million (2012: R107 million). Net asset value per share increased by 8%, while net year end gearing increased to 24% (2012: 8%) on the back of growing capital expenditure and investment.

Current liabilities increased to R780 million (2012: R543 million) mainly as a result of the greater utilisation of the revolving credit facility and capital creditors, which are included in trade and other payables, to fund the Schools division's expansion programme.

Investments and finance

Capital commitments have increased to R1.2 billion (2012: R1.1 billion) notwithstanding expenditure of R335 million in the year. This highlights the continued commitment to delivering on the long-term growth strategy. These commitments form part of the capital investment plan of R3 billion, which will increase capacity by around 53%.

Four new schools opened their doors in January 2014, namely CrawfordSchools™ Italia, Trinityhouse Heritage Hill, and Abbotts Colleges in Northcliff (relocated from a rented site) and Centurion. Also in January, the acquisition of a pre-primary school, Snuggles, was announced.

Enrolments at all five sites have been satisfactory and in aggregate exceed the targets of our investment feasibility studies. Trinityhouse Palm Lakes continued its anticipated slower growth whereas Trinityhouse Little Falls, now in its third year of operation, has entered a rapid growth phase and continues to exceed expectations. We anticipate that the cost of opening these and other planned new schools will have a short-term dampening effect on the margins of the Schools division which will be followed by margin improvement as they enter the rapid growth phase.

Progress is being made in technology-led education and recruitment, where capital and operating expenditure of some R500 million has been deployed in the last five years. Results to date include much improved data centre, communication, connection and tech-in-teaching capacity, implementation of an education ERP (SAM) and the roll-out of the first e-learning programmes. Projects in progress include implementation of a learner management system, significant growth in both blended and e-learning programmes, a human resources management system, and a technology platform for e-Recruitment. The Group acquired an initial 15% interest in the Star Schools Group and has entered technology partnerships with several key global vendors.

To fund these expenditures, use was made of the Group's revolving credit facility in the latter part of the year. However, in line with the seasonal cash flow pattern, we are once again in a net cash position at date of reporting.

Transformation

Over two thirds of students and placement candidates are black. The Group made some progress in growing its black staff complement, which has reached 42%.

The Group awarded 5 900 bursaries to the value of R72 million in 2013, a 21% increase over 2012. This includes 54 new teacher education bursaries bringing the total number of such bursaries awarded to 236. ADvTECH has been a constituent of the JSE Socially Responsible Investment Index for the past seven 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

Having been a director since the Group listed in 1987, Mr Hymie Levin has informed the Board that he will not be seeking re-election at the AGM. Mr Levin's involvement in the strategy and direction of the Group has been invaluable and the Board expresses its deep appreciation of the magnitude of his contribution over 26 years. We wish Mr Levin well in his retirement.

At the Board meeting on 29 November 2013, Messrs Stafford Masie and Mteto Nyati were invited to join the Board with particular intent to heighten the Group's focus on its technology strategy.

In November Mr Frank Thompson, who has been CEO since 2002, informed the Board of his intention to step down during 2014. The Board plans to make an appointment and implement a handover well in advance of Frank stepping down in order to ensure a smooth transition.

The Board expresses its warm appreciation of Frank's leadership over the past 12 years. During his stewardship, the Group has been transformed and our schools and colleges continue to set the highest standards of educational excellence.

Declaration of final dividend number 9

The Board is pleased to announce the declaration of a final gross dividend of 15.0 cents (2012: 14.0 cents) per ordinary share in respect of the year ended 31 December 2013. This brings the full year dividend to 25.5 cents (24.0 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 15% and no credits in terms of Secondary Taxation on Companies (STC) were available for utilisation. The net amount per share payable to shareholders who are not exempt from DT is 12.75 cents per share, while it is 15.0 cents per share to those shareholders who are exempt from DT.

There are 421 282 422 ordinary shares in issue; the total dividend amount payable is R63 million.

The salient dates and times applicable to the dividend referred to above are as follows

	2014
Declaration of dividend	Monday, 17 March
Announcement date (publication of declaration data)	Tuesday, 18 March
Last day to trade in order to participate in the dividend	Friday, 4 April
Trading commences ex dividend	Monday, 7 April
Record date	Friday, 11 April
Payment date	Monday, 14 April

Share certificates may not be dematerialised or rematerialised between Monday, 7 April 2014 and Friday, 11 April 2014, both days inclusive.

Prospects

2014 will be the first full year of operation after completion of the Tertiary division restructuring and early signs in regard to student enrolments and improved campus operations are encouraging. Increased demand for places in the Schools division fully justifies the launch of new sites, although margins will be constrained in the short-term. The Resourcing division will maintain its resolute focus on key niche markets and efficient operation. This will enable it to maintain market position and take advantage of any upturn in the staffing markets.

In the last year, the Board of directors approved an additional R400 million of capital commitments, which now total R1.2 billion. The Group has entered a new phase of growth. This is enhanced by the benefits of investment in new infrastructure and technology, the heightened marketing programme in Africa and the restructuring of the Tertiary division. Both Schools and Tertiary divisions are reporting positive trends in enrolments and this augurs well for the further investment of R3 billion in the creation of new education places in both real and virtual learning environments.

On behalf of the Board

Leslie Maasdorp
Chairman

Frank Thompson
Chief Executive Officer

18 March 2014

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Directors: LW Maasdorp* (Chairman), FR Thompson (CEO), JDR Oesch (Financial), CH Boulle*, BM Gourley*, JD Jansen*, HR Levin*, JC Livingstone*, SC Masie*, M Nyati*, SA Zinn* *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, Rennie House, 19 Ameshoff Street, Braamfontein 2017.

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