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

www.advtech.co.za

Preliminary results for the year ended 31 December 2014

A year of **outstanding success** in implementing the Group's growth strategy.

REVENUE	OPERATING PROFIT	NORMALISED EARNINGS PER SHARE	DIVIDENDS PER SHARE FOR THE YEAR
↑ 9%	↑ 16%	↑ 12%	26.0 cents

Summarised consolidated statement of comprehensive income

for the year ended 31 December 2014

R'm	Notes	Percentage increase	Audited 31 December 2014	Audited 31 December 2013
Revenue		9%	**1 931.8**	1 766.3
Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA)		17%	**340.8**	291.6
Operating profit before interest		16%	**256.4**	221.7
Net (finance costs paid)/interest received			**(9.1)**	3.0
Interest received			**2.8**	6.1
Finance costs			**(11.9)**	(3.1)
Profit before taxation			**247.3**	224.7
Taxation			**(80.2)**	(69.0)
Total comprehensive income for the year			**167.1**	155.7
Earnings per share (cents)				
Basic		7%	**41.3**	38.5
Diluted		7%	**41.2**	38.5
Headline earnings	2		**167.5**	156.0
Headline earnings per share (cents)				
Basic		7%	**41.4**	38.6
Diluted		7%	**41.3**	38.6
Normalised earnings	3		**175.9**	157.4
Normalised earnings per share (cents)				
Basic		12%	**43.5**	39.0
Diluted		12%	**43.4**	38.9
Number of shares in issue (million)			**421.3**	421.3
Number of shares in issue net of treasury shares (million)			**406.4**	404.0
Weighted average number of shares for purposes of basic earnings per share (million)			**404.7**	404.0
Weighted average number of shares for purposes of diluted earnings per share (million)			**405.1**	404.3
Net asset value per share including treasury shares (cents)		9%	**220.5**	202.5
Net asset value per share net of treasury shares (cents)		8%	**228.5**	211.1
Gross dividends per share (cents)		2%	**26.0**	25.5

Summarised consolidated statement of financial position

as at 31 December 2014

R'm	Audited 31 December 2014	Audited 31 December 2013
Assets		
Non-current assets	**1 646.0**	1 397.6
Property, plant and equipment	**1 439.0**	1 198.6
Proprietary technology systems	**53.1**	44.0
Goodwill	**103.8**	98.2
Intangible assets	**25.3**	27.0
Deferred taxation assets	**12.8**	17.8
Investment	**12.0**	12.0
Current assets	**314.2**	235.1
Trade and other receivables	**153.6**	111.5
Other current assets	**46.8**	26.0
Bank balances and cash	**113.8**	97.6
Total assets	**1 960.2**	1 632.7
Equity and liabilities		
Equity	**928.8**	853.0
Current liabilities	**1 031.4**	779.7
Bank loans	**550.0**	300.0
Trade and other payables	**271.2**	281.4
Provision	**–**	1.8
Taxation	**0.1**	3.1
Fees received in advance and deposits	**210.1**	193.4
Total equity and liabilities	**1 960.2**	1 632.7

Summarised consolidated statement of changes in equity

for the year ended 31 December 2014

R'm	Audited 31 December 2014	Audited 31 December 2013
Balance at beginning of the year	**853.0**	793.1
Total comprehensive income for the year	**167.1**	155.7
Dividends declared to shareholders	**(105.7)**	(99.6)
Share-based payment expense and awards	**3.2**	3.0
Share options exercised	**11.2**	0.8
Balance at end of the year	**928.8**	853.0

Supplementary information

for the year ended 31 December 2014

R'm	Audited 31 December 2014	Audited 31 December 2013
Capital expenditure – current year	**316.4**	334.5
Capital commitments	**1 082.0**	1 176.2
Authorised by directors and contracted for	**343.1**	186.4
Authorised by directors and not yet contracted for	**738.9**	989.8
Anticipated timing of spend	**1 082.0**	1 176.2
0 – 2 years	**473.4**	357.9
3 – 5 years	**348.1**	306.6
more than 5 years	**260.5**	511.7
Operating lease commitments in cash – future years	**380.8**	301.3

Summarised consolidated segmental report

for the year ended 31 December 2014

R'm	Percentage increase/ (decrease)	Audited 31 December 2014	Audited 31 December 2013
Revenue	9%	**1 931.8**	1 766.3
Schools	12%	**915.0**	818.6
Tertiary	10%	**826.9**	750.5
Resourcing	(3%)	**194.0**	200.0
Intra Group revenue		**(4.1)**	(2.8)
Operating profit before interest	16%	**256.4**	221.7
Schools	3%	**161.6**	157.0
Tertiary	75%	**84.0**	48.0
Resourcing	1%	**18.2**	18.1
Acquisition related costs		**(4.0)**	–
Litigation		**(3.4)**	(1.4)
Property, plant and equipment and proprietary technology systems	20%	**1 492.1**	1 242.6
Schools	21%	**1 134.3**	940.0
Tertiary	18%	**354.1**	299.7
Resourcing	28%	**3.7**	2.9

Summarised consolidated statement of cash flows

for the year ended 31 December 2014

R'm	Note	Percentage increase/ (decrease)	Audited 31 December 2014	Audited 31 December 2013
Cash generated from operations	4	17%	**345.1**	295.9
Movement in working capital			**(59.4)**	67.2
Cash generated by operating activities		(21%)	**285.7**	363.1
Net (finance costs paid)/interest received			**(9.1)**	3.0
Taxation paid			**(78.2)**	(66.9)
Capital distributions paid			**(0.1)**	–
Dividends paid			**(105.6)**	(99.4)
Net cash inflow from operating activities			**92.7**	199.8
Net cash outflow from investing activities			**(337.7)**	(340.9)
Net cash inflow from financing activities			**261.2**	180.9
Net increase in cash and cash equivalents			**16.2**	39.8
Cash and cash equivalents at beginning of the year			**97.6**	57.8
Cash and cash equivalents at end of the year			**113.8**	97.6

ADvTECH GROUP

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Preliminary results for the year ended 31 December 2014 *continued*

Free operating cash flow before capex per share

for the year ended 31 December 2014

R'm	Percentage increase/ (decrease)	Audited 31 December 2014	Audited 31 December 2013
Total comprehensive income for the year		**167.1**	155.7
Adjusted for non-cash IFRS and lease adjustments (after taxation)		**3.6**	3.6
Net operating profit after taxation – adjusted for non-cash IFRS and lease adjustments		**170.7**	159.3
Depreciation and amortisation		**84.4**	69.9
Other non-cash flow items (after taxation)		**0.4**	0.3
Operating cash flow after taxation	11%	**255.5**	229.5
Movement in working capital		**(59.4)**	67.2
Free operating cash flow before capex	(34%)	**196.1**	296.7
Weighted average number of shares for purposes of basic earnings per share (million)		**404.7**	404.0
Free operating cash flow before capex per share (cents)	(34%)	**48.5**	73.4

Notes to the summarised consolidated financial statements

for the year ended 31 December 2014

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 summary consolidated financial results for the year ended 31 December 2014 was supervised by Didier Oesch CA(SA), the Group's financial director.

Post-balance sheet events

Acquisitions concluded during 2014 with effective dates subsequent to year end include the Centurus Colleges, Gaborone International School (Botswana) and the Maravest Group (the latter still being subject to approval by the shareholders). All acquisitions are within the Schools division and are in line with the published expansion programme. The Group drew down additional amounts from its existing loan facilities to settle the purchase considerations except for Maravest which is still conditional and provides for settlement in shares. The initial accounting for these business combinations is incomplete and therefore the disclosure of the acquisition date fair values and related impact cannot be made at this time.

The directors are not aware of any matter or circumstance occurring between the date of the statement of financial position and the date of this report that materially affects the results of the Group for the year ended 31 December 2014 or the financial position at that date.

Independent auditor's opinion

These summary consolidated financial statements for the year ended 31 December 2014 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. 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 performance included in this announcement, has not been reviewed or reported on by the Company's auditors.

R'm	Audited 31 December 2014	Audited 31 December 2013
2. Determination of headline earnings		
Total comprehensive income for the year	**167.1**	155.7
Items excluded from headline earnings per share	**0.4**	0.3
Loss on sale of property, plant and equipment	**0.5**	0.4
Taxation effects of adjustments	**(0.1)**	(0.1)
Headline earnings	**167.5**	156.0
3. Determination of normalised earnings		
Headline earnings per share	**167.5**	156.0
Items excluded from normalised earnings per share	**8.4**	1.4
Litigation costs	**3.4**	1.4
Acquisition and financing related costs	**5.4**	–
Taxation effects of adjustments	**(0.4)**	–
Normalised earnings	**175.9**	157.4
4. Note to the summarised statement of cash flows		
Reconciliation of profit before taxation to cash generated from operations		
Profit before taxation	**247.3**	224.7
Adjusted for non-cash IFRS and lease adjustments (before taxation)	**3.8**	3.9
	251.1	228.6
Adjust:	**94.0**	67.3
Depreciation and amortisation	**84.4**	69.9
Net finance costs paid/(interest received)	**9.1**	(3.0)
Other non-cash flow items	**0.5**	0.4
Cash generated from operations	**345.1**	295.9

R'm	Audited 31 December 2014
5. Business combinations	
The assets of Snuggles were acquired on 1 January 2014 for a consideration amounting to R12.0 million.	
Fair value assets acquired	
Intangible assets	**0.3**
Goodwill	**1.7**
Property, plant and equipment	**10.0**
	12.0
The assets and liabilities of Tiny Town were acquired on 1 July 2014 for a consideration amounting to R10.5 million.	
Fair value assets and liabilities acquired	
Intangible assets	**1.2**
Goodwill	**3.9**
Property, plant and equipment	**6.0**
Current liabilities	**(0.6)**
	10.5

These acquisitions were made as additions to our Junior Colleges brand in line with our expansion strategy and will provide opportunities for synergies.

Commentary

Overview

The directors are delighted to present a year of outstanding success in implementing the Group's growth strategy. This is highlighted by the commitment to invest some R1.7 billion into growth projects that will dramatically increase capacity and enrolments. The significant growth in assets employed has created a harder working and more demanding capital structure. Consequently, 2014 represents a new base line for evaluating the performance of the Group. The impact of the investment strategy is forecast to result in a quantum leap in the Group's scale, the key driver being enrolment growth. This is best illustrated by the following data:

ADvTECH Group enrolment growth as at February 2015

	Student numbers			Year-on-year % increase	
	2013	2014*	**2015****	2014/2013	**2015/2014**
Schools total enrolments#	13 178	13 886	**23 721**	5%	**71%**
Schools capacity***	17 368	20 454	**35 412**	18%	**73%**
Capacity utilised	76%	68%	**67%**		
Tertiary total enrolments	15 798	20 113	**24 332**	27%	**21%**
Group total enrolments	28 976	33 999	**48 053**	17%	**41%**

* *February 2014 actuals.*
** *February 2015 preliminary.*
*** *Comprises planned full capacity of existing campuses only.*
\# *The Schools enrolments and capacity includes Maravest which still requires approval from shareholders.*

Excellent performance of our existing schools, combined with the significant new investments and acquisitions, have driven a decisive shift in the Schools division which is now well into its exciting new growth phase. The two-year turnaround of the Tertiary division has been most successful and the Division is now delivering strong growth. The Resourcing division has maintained market share and position and produced a strong turnaround in the second half of the year, achieving almost double the operating profit recorded in the first half. The trend of strong improvement in the Resourcing division has continued into 2015.

The positive trend established in the first half of the year continued over the full 12 months with revenue up 9% to R1.9 billion, operating profit up 16% to R256 million and normalised earnings per share up 12% to 43.5 cents. The unusually large deal flow and consequent raising of additional loan facilities led to significant once-off costs in the second half of the year. Other metrics such as segmental contributions, cash flow, return on capital and margins are all pleasing.

The Group's 2014 performance together with the 2015 enrolments highlight the resilient demand for premium private education despite the economic slowdown. The consistent achievement of academic excellence across the brands, led by The Independent Institute of Education, underpins ADvTECH's enduring success. Matric results were again excellent with 98% of the 1 348 candidates qualifying for tertiary entrance and CrawfordSchools™ students achieving 3.2 distinctions per candidate on average. Similar excellent results were achieved in the Tertiary division, including the announcement of 3 087 new graduates. For instance, in the SAICA Part 1 FQE, FLB and Varsity College students achieved an 82% pass rate, 12% above the National average in this prestigious examination. The Group's alumni continue to attain career success after qualifying. Through our graduate placement programme 2 726 alumni were placed in their first jobs.

While the Group retains a strong focus on its existing core businesses and continues to invest in growing its leading market position, the strategy has been extended to include technology-enabled education (including distance learning), mid-fee schools, expansion into Africa and a greater emphasis on partnerships in both public and private sectors. All of these imperatives are focused on deepening the Group's contribution to addressing fundamental challenges and opportunities in education and job creation.

Schools division on upward growth trajectory

The Schools division grew enrolments by 5% and revenue by 12%, mostly as a result of new schools coming on stream. Existing schools performed well, showing continued profit growth. While the new projects are performing in line with expectations, operating profit was relatively flat due to the J-curve of the new schools. In terms of the ongoing R3 billion investment plan, five schools were acquired and three new campuses were opened. In addition, with effect from 2015, the Group acquired the businesses of Centurus and Maravest.

Centurus Colleges, acquired for a cash consideration of R712 million, comprises three independent premium co-educational schools, located in growing nodes in or near Gauteng. Currently 3 244 students are enrolled spanning Grades 000 to 12 with existing capacity for 4 800 students. Boarding is offered at the Pecanwood and Southdowns Colleges, and the latter includes valuable tertiary education infrastructure.

The Maravest Group, to be acquired for R450 million in shares, has six schools in Gauteng and includes two mid-fee schools and one low fee school, marking ADvTECH's entry into these fast-growing market segments. Still subject to shareholder approval, this acquisition will add 4 445 students to the Schools division and create capacity for some 6 900 students.

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Gaborone International School (GIS) in Botswana represents the Division's first foray outside South Africa and signals the Group's intention to grow into new markets elsewhere in Africa. GIS is a mid-fee school and caters from crèche to Form 4 with a track record of excellent academic outcomes, strong student demand and profitability. It currently has 1 900 students, with sufficient space on the existing campus to reach a capacity of 2 300 students.

In terms of planned capacity, 62% of the schools are more than 75% full. Measured by number of campuses, half of the schools are in their rapid growth phase.

Strong recovery in Tertiary division

The two-year turnaround of the Tertiary division has been successful and it is now delivering impressive growth. Revenue increased by 10% and operating profit was up by a sterling 75% to R84 million. The strong growth in full-time enrolments is mainly due to offering a wider variety of our own Independent Institute of Education (IIE) courses and an increase in the number of students from other African countries, who recognise the quality of our education and the affordability of our fee structures. Growth in the mid-fee brand, Rosebank College, has been particularly strong. Increased student numbers bode well for future growth as returning students re-enrol in further academic years of study.

The IIE – which was accredited by the British Accreditation Council (BAC) in 2014 – offers 86 accredited qualifications, now with enhanced international credentials. To support flexible learning opportunities, some existing and new qualifications have also been accredited through the distance learning model.

It is particularly pleasing to report that the Group's significant technology investments over the past few years are bearing fruit. Almost 25 000 students are comprehensively supported on the Student Administration System (SAM) and approximately 8 000 students access ADvTECH's Learner Management System (LMS). These systems form the foundation for distance and blended learning as part of the Group's education strategy. The growth and practical implementation of technology enabled education is clearly evident in the success of the Tertiary division reaching new markets and providing lower fee offerings without sacrificing quality or student achievement.

Resourcing division holding its own

The Resourcing division continued to hold its own in exceptionally difficult staffing markets, constrained by weak economic growth and stagnant job creation. Although revenue was down 3%, operating profit was flat on the previous year following a strong second half recovery. The Division, which remains strongly cash generative and provides a good return on capital, has maintained its leading market share in the permanent staffing market and continues to entrench its niche offerings in specialised segments. It has also contained its costs effectively. The Division is well positioned to benefit from any improvement in trading conditions.

Financial

Group revenue grew by 9% to R1.9 billion, with operating profit up 16% and normalised earnings per share up 12%. HEPS which includes several once-off costs relating to acquisitions and the funding required for the acquisitions concluded in the year, were up 7%.

The segmental analysis reflects a solid and steady performance from the Schools division as it assumes responsibility for the new investments, strong growth of 75% from the Tertiary division as the turn around has been completed and a welcome improvement in the Resourcing division in the second half of the year as effective interventions were implemented. Movement in working capital was affected by lower capital creditors as well as advertising, finance costs and VAT related prepayments. Trade receivables increased in line with revenue by 9%. Nevertheless, free cash flow generated was 117% of earnings, return on funds employed in the year amounted to 30.5%, well ahead of the cost of capital, and operating profit margin improved from 12.6% to 13.3%.

While the strength of the Group's balance sheet underpinned our ability to accelerate our capital expenditure in the last year, the Group's borrowings have risen significantly after year end to fund the expansion and acquisition strategy. This necessitated raising a bridge facility, which becomes payable in October 2015. The restructuring of the Group's balance sheet is currently under consideration.

While the impact of the investment and acquisition programme will have an operational J-curve effect in the short-term, there are sufficient projects that have moved into the high growth phase to offset their impact on earnings. The Board is satisfied that the benefits of these investments in the medium-term and beyond will far outweigh their short-term impact as the J-curve unwinds and the strength of free cash flow generation mitigates the impact of financing costs.

Declaration of final dividend no 11

The Board is pleased to announce the declaration of a final gross dividend of 15.0 cents (2013: 15.0 cents) per ordinary share in respect of the year ended 31 December 2014. This brings the full year dividend to 26.0 cents (2013: 25.5 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:

	2015
Declaration date	Friday, 20 March
Announcement date	Monday, 23 March
Last day to trade in order to participate in the dividend	Wednesday, 10 April
Trading commences ex dividend	Thursday, 13 April
Record date	Friday, 17 April
Payment date	Monday, 20 April

Share certificates may not be dematerialised or rematerialised between Thursday, 13 April 2015 and Friday, 17 April 2015, both days inclusive.

Directorate

As announced at half-year, Leslie Maasdorp was appointed as CEO designate with effect from 11 August 2014. He was appointed as CEO with effect from 24 October 2014, on which date Frank Thompson retired as a director and CEO. In light of Leslie Maasdorp's appointment as CEO, he resigned as Chairman of the Board and Jeff Livingstone, who has been an independent non-executive director since 2008, was appointed Acting chairman. ADvTECH and Leslie Maasdorp have however reached a mutual agreement to part ways on 23 March 2015.

Stafford Masie and Mteto Nyati were appointed as non-executive directors with effect from 9 January 2014. Chris Boulle was appointed as Acting chairman of the Audit Committee with effect from the same date.

Prospects

All three trading Divisions are showing positive performance trends that augur well for further growth in 2015. It is clear that growth prospects have been considerably strengthened and with a strong foundation in place and further investments to come, Group shareholders can look forward to higher growth rates in the coming years as we implement ambitious yet well considered strategies.

On behalf of the Board

Jeff Livingstone
Acting chairman

Didier Oesch
Group financial director

23 March 2015

Directors: JC Livingstone* (Acting chairman), JDR Oesch (Financial), CH Boulle*, BM Gourley*, JD Jansen*, 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.
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Sponsor: Bridge Capital Advisors (Pty) Ltd, 27 Fricker Road, Illovo 2196.