



Audited results for the year ended 31 December 2004



ADvTECH LIMITED (Incorporated in the Republic of South Africa)
 Registration number: 1990/001119/06 •
 Share code: ADH ISIN: ZAE 0000 31035
 www.advtech.co.za

enriching human capital

+37%
headline earnings per share

4,5¢
per share distribution to shareholders

14%
net gearing

+28%
free operating cash flow per share

Abridged income statement for the year ended 31 December 2004

R'000	Notes	Percentage change	Audited 31 Dec 2004	Audited 31 Dec 2003
Revenue			569 834	485 784
Education – Continuing operations		19	486 850	407 741
Education – Discontinuing operations			14 965	18 810
Resourcing – Continuing operations		15	68 019	59 233
Operating profit before depreciation and amortisation			77 517	65 472
Education – Continuing operations		17	96 576	82 735
Education – Discontinuing operations			(2 604)	(2 998)
Resourcing – Continuing operations		70	9 851	5 787
Central administration		32	(21 576)	(16 353)
Recoupment of litigation costs	2		–	5 250
Litigation costs			(4 730)	(8 949)
Depreciation and amortisation			(21 287)	(21 032)
Operating profit		27	56 230	44 440
Net interest paid		(97)	(376)	(10 911)
Profit before exceptional items		67	55 854	33 529
Exceptional items	3		(5 054)	17 884
Profit before taxation			50 800	51 413
Taxation			(10 104)	(140)
Profit after taxation			40 696	51 273
Attributable to outside shareholders			(1 446)	(823)
Attributable to ordinary shareholders			39 250	50 450
Number of shares in issue ('000)			393 665	393 665
Weighted average number of shares in issue ('000)			355 702	363 465
Diluted number of ordinary shares ('000)			370 174	377 041
Headline earnings per share (cents)		37	12,0	8,8
Diluted headline earnings per share (cents)		37	11,6	8,4
Earnings per share (cents)		(21)	11,0	13,9
Diluted earnings per share (cents)		(21)	10,6	13,4
Free operating cashflow before capex per share (cents)	5		23,8	18,7
Proposed distribution per ordinary share (cents)			4,5	1,0
Net asset value per share (cents)		20	70,6	58,6

Abridged cash flow statement for the year ended 31 December 2004

R'000	Audited 31 Dec 2004	Audited 31 Dec 2003
Operating profit before depreciation and amortisation	77 517	65 472
Exceptional items affecting cashflow	483	2 548
Cash generated by operations	78 000	68 020
Net interest paid	(1 709)	(9 400)
Taxation paid	(8 166)	(2 350)
Dividend paid	(3 522)	(1)
Working capital changes	19 325	14 158
Increase in inventories	(462)	(2 454)
(Increase)/decrease in accounts receivable	(15 560)	8 597
Increase in accounts payable and provisions	26 703	594
Increase in fees in advance	8 644	7 421
Cash flows from operating activities	83 928	70 427
Cash flows absorbed by investing activities	(40 765)	(19 871)
Cash flows absorbed by financing activities	(767)	(24 140)
Net increase in cash	42 396	26 416
Cash at beginning of year	(45 817)	(71 620)
Cash disposed	–	(613)
Cash at end of year	(3 421)	(45 817)

Statement of changes in equity for the year ended 31 December 2004

R'000	Ordinary share capital	Ordinary share premium	Shares held by Share Incentive Trust	Accumulated loss	Outside shareholders' interest	Non-distributable reserves	Total
Balance at 1 January 2003	3 937	355 100	(8 106)	(196 766)	–	18 231	172 396
Accumulated profit for the year				50 450	823		51 273
AC133 opening balance adjustment				273			273
Movement in translation reserves						(2 287)	(2 287)
Shares acquired – Crawford settlement			(8 621)				(8 621)
Revaluation of shares in Share Incentive Trust			2 794	(2 794)			–
Share options exercised			907				907
Balance at 31 December 2003	3 937	355 100	(13 026)	(148 837)	823	15 944	213 941
Accumulated profit for the year				39 250	1 446		40 696
Payment to outside shareholders					(823)		(823)
Dividend declared				(3 532)			(3 532)
Share options exercised			2 316				2 316
Balance at 31 December 2004	3 937	355 100	(10 710)	(113 119)	1 446	15 944	252 598

Supplementary information

R'000	Audited 31 Dec 2004	Audited 31 Dec 2003
Capital expenditure – current year	42 429	26 151
Capital commitments – future years	82 416	50 201
Operating lease commitments – future years	109 952	105 222

commentary

Overview

2004 marks a milestone in ADvTECH's development. Against a background of academic achievement, continuing operational progress and growth, improved financial results and strong cash generation, the Group launched a new wave of investment in educational infrastructure which creates a secure, quality platform for continued growth in learner enrolment.

Academic achievement is at the heart of the Group's goals in education and the acid test of this is in the performance of its learners. While details of their achievements will be provided in the annual report, suffice it to say that the class of 2004 represents a worthy and high quality addition to South Africa's pool of well educated and motivated citizens. ADvTECH is committed to contributing to National transformative goals in education and employment through its enrolment and graduation successes. In 2004, over 50% of learners in the Group were previously disadvantaged.

Notable features of the Group's financial results are the 19% increase in enrolments to 38 000, the 27% increase in operating profit to R56 million, the increase of 37% in headline earnings per share to 12.0 cents per share, a 28% increase in operational cash flow before capex to 24 cents per share, and a reduction in the debt to equity ratio to 14% compared to 37% reported last year. Compound annual growth (CAGR) in fully diluted headline earnings per share since 2001 is 48%.

The Group's cash flow is seasonally weighted such that the Group reports maximum borrowing at its December year end. Notwithstanding the increasing cash outlay of R21,4 million on new infrastructure (2003 – R10,9 million), average borrowings during the year were R15 million compared to R35 million at year end. As a result of lower borrowings, reduced interest rates and a reimbursement of interest from SARS, the interest expense decreased to R0,4 million (2003 – R10,9 million). The effective tax rate for the year was 20%. This is forecast to increase closer to the normal rate of 29% in future.

It is particularly gratifying to report that during the year a number of investment projects costing some R42 million came into fruition. In the Tertiary division four new college sites with a projected capacity growth for the Group of approximately 3 000 learners were prepared for opening in 2005. In the Schools division additional teaching accommodation for a total of 400 learners was prepared for 2005.

Divisional review

Education
 The Education division comprises the Group's well-known brands, such as Abbott's, CCL, College Campus, CrawfordSchools, Rosebank College, Varsity College and Vega, in schooling, tertiary education, adult education and training and learnerships, encompassing some 50 campuses.

The process announced in mid year for the closure of Bond South Africa, in cooperation with Bond University Australia, is proceeding according to plan and the last learners will graduate in 2006. ADvTECH supports National priorities to improve the standards of education governance, the quality of teaching and learner assessment. During the year, 'The Independent Institute of Education' was created within the Group with ultimate responsibility for ownership, academic governance, teaching, assessment and quality.

While a major focus within the division this year has been the roll-out of the new infrastructure and capacity, the division continued to generate a compelling record, combining academic excellence and sustained financial performance. The division improved its continuing EBITDA contribution by 17% to R97 million.

Resourcing

The Resourcing division comprises mainly the Group's recruitment, placement, temporary staffing and contracting activities together with other smaller businesses. The major brands include Brent, Cassel, Communicate, Insource, Kapele, Mast Bookshop, Mast Publications, Network and Pro-Rac.

The recruitment business continued to build on its mid year progress to deliver excellent full year results, which are a credit to the new management team who achieved their operating targets. The low capital requirements of the Resourcing division, combined with this year's operational success, have generated sound cash flow for the Group and an excellent return on funds employed. The division increased its EBITDA contribution by 70% to R10 million.

Directors: HF Brown* (Chairman), FR Thompson (CEO), JNP Booyens, JJ Deeb (Financial), CN Duff, DL Honey, BD Buckham*, DK Ferreira*, JD Jansen*, HR Levin*, MI Sacks*, Alternate Directors: A Isaakidis, DS Dowling** *Non Executive **British Group Secretary: MJ Lämmle
 Registered office: 364 Kent Avenue, Ferndale, Randburg, 2194 (PO Box 2369, Randburg, 2125) Transfer secretaries: Ultra Registrars (Pty) Ltd, 11 Diagonal Street, Johannesburg, 2001 Sponsor: Bridge Capital Services (Pty) Ltd

Abridged balance sheet as at 31 December 2004

R'000	Notes	Audited as at 31 Dec 2004	Audited as at 31 Dec 2003
ASSETS			
Property, plant & equipment	6	334 382	313 751
Goodwill and trademarks		1	1
Deferred taxation assets		44 533	40 207
Investment		495	495
Current assets		42 269	26 457
Inventories		5 226	4 764
Prepayments		2 070	2 284
Accounts receivable	7	34 756	18 982
Cash resources		217	427
Total assets		421 680	380 911
EQUITY AND LIABILITIES			
Ordinary share capital		3 937	3 937
Ordinary share premium		355 100	355 100
Shares held by Share Incentive Trust		(10 710)	(13 026)
Non-distributable reserve		15 944	15 944
Accumulated loss		(113 119)	(148 837)
Ordinary shareholders' equity		251 152	213 118
Outside shareholders' interest		1 446	823
Interest bearing debt		35 181	78 551
– medium-term	6	22 976	7 554
– short-term	6	8 567	24 753
– bank overdrafts and bankers' acceptances	6	3 638	46 244
Current liabilities		133 901	88 419
Vendor claims		9 349	8 844
Fees in advance		40 811	32 167
Accounts payable and provisions	8	78 329	46 418
Taxation		5 412	990
Total equity and liabilities		421 680	380 911

Notes to financial statements for the year ended 31 December 2004

R'000	Audited 31 Dec 2004	Audited 31 Dec 2003
1. The financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice and the accounting policies are consistent with those applied in the annual financial statements for the year ended 31 December 2003. The Group auditors, Deloitte & Touche, have completed the audit of the Annual Financial Statements on which this preliminary announcement has been based. Their unqualified report is available at the registered office of the company.		
2. The increase of 32% in central administration costs is mainly due to the strengthening of financial and human resource management at head office.		
3. Exceptional items		
Loss – related to discontinuing operation – closure provision for Bond South Africa	5 198	–
(Profit)/Loss on disposal of divisions or assets	(144)	385
(Profit) – discontinued operations – Australia	–	(6 988)
(Profit) – discontinued operations – other	–	(4 303)
Graeme Crawford settlement – recoupment of goodwill written off	–	(8 621)
Development costs impaired	–	1 643
Exceptional items before taxation	5 054	(17 884)
Taxation on exceptional items	(1 528)	721
Exceptional items after taxation	3 526	(18 605)
4. Determination of headline earnings		
Profit attributable to ordinary shareholders per income statement	39 250	50 450
Exceptional items after tax (see note 3)	3 526	(18 605)
Headline earnings	42 776	31 845
5. Free operating cashflow before capex per share		
Net operating profit after tax	40 696	51 273
Plus: depreciation and amortisation	21 287	21 032
exceptional items	3 526	(18 605)
Operating cash flow	65 509	53 700
Plus: working capital changes	19 325	14 158
Free cash flow	84 834	67 858
Weighted average number of shares in issue ('000)	355 702	363 465
Free operating cash flow before capex per share (cents)	23,8	18,7
6. Interest bearing debt comprises amounts owing under a number of loan agreements. During the current financial year a five year facility of R50 million was arranged with Nedbank. As at 31 December 2004, R20 million had been drawn down in terms of this facility.		
7. Net accounts receivable Net accounts receivable have shown a 83% increase over the prior year. This is due to an increase in turnover of 17% together with an increase in the debtors in the contracting related businesses. Certain of these contracts were completed close to the year end and this resulted in the debtors still being outstanding as at the year end.		
8. Accounts payable and provisions Accounts payable and provisions have increased by 69% over the prior year. This is mainly due to the closure provision for Bond SA of R5,2 million, an accrual for the work in progress for the capitalisation of new buildings of R4,8 million and a general increase in accounts payable in line with the increased activity.		
9. Capital commitments Capital commitments comprise the routine replacement and upgrades, completion of existing infrastructure projects as well as further infrastructure developments within Education.		
10. Discontinuing operations On 18 June 2004 the board of directors announced a plan to discontinue the operations of Bond South Africa once current students have completed their degrees.		
Financial impact of the discontinuing operation		
Operating loss to date of closure decision	(2 525)	(5 190)
Depreciation	(483)	(915)
Provision for closure costs	(5 198)	–
Loss attributable to discontinuing operation	(8 206)	(6 105)
Taxation	2 468	2 085
Net loss attributable to discontinuing operation	(5 738)	(4 021)
Total assets of the discontinuing operation	4 672	5 516
Total liabilities of the discontinuing operation	16 246	11 322
Cash (outflow)/inflow from operating activities	(436)	105
Cash outflow from investing activities	5	922
Cash inflow from financing activities	434	2 889

Litigation

Legal proceedings in respect of substantial claims against Andry Welihockyj, Marina Welihockyj *et al* are still in process. Every effort is being made to bring these matters to a speedy and satisfactory conclusion in the interest of shareholders.

ADvTECH's litigation sub-committee, which consists of non-executive directors, has advised the Board that legal counsel remains satisfied with the merits of the Group's claims and that the Group has no additional exposure other than for legal costs in these matters. Litigation costs are expensed as incurred and amounted to R4,7 million in the year (2003 – R8,9 million).

Distribution to shareholders

The Board has resolved, after consideration of various options, to recommend a distribution to shareholders by way of capital distribution, out of share premium, of 4,5 cents per share (2003 – dividend of 1,0 cents) in respect of the year ended 31 December 2004. Shareholders will be asked to consider, and if deemed fit, to approve the capital distribution at the annual general meeting of the Company to be held on Tuesday, 17 May 2005.

Subject to this approval and in compliance with STRATE, the following dates will be applicable to the capital distribution:

	2005
Last day to trade	Friday, 27 May
Trading commences ex distribution	Monday, 30 May
Record date	Friday, 3 June
Payment date	Monday, 6 June

Share certificates may not be dematerialised or rematerialised between Monday, 30 May 2005 and Friday, 3 June 2005, both days inclusive.

Staff

The Group's academic, operational and financial results were not achieved without overcoming numerous challenges, including that of responding to the changes in regulatory requirements. The skill, energy and enthusiasm of the people of ADvTECH in overcoming these challenges, at the same time enhancing the Group's platform for growth, is greatly appreciated.

ADvTECH increased staff numbers by 4% to 2 346, of whom 66% are professional educators and over 200 are qualified at Masters or Doctoral level. Capacity and effectiveness were enhanced by taking on additional skilled resources, especially in academics and in the Group's management of its properties.

Prospects

Both the Education and Resourcing divisions are now in a promising growth phase. The positive performance of the South African economy has increased demand for well-qualified, and motivated people. This in turn increases new job opportunities and demand for the quality education offered by the Group.

Provided the current economic environment is maintained and given the encouraging registrations for 2005 in the Education division, the Board expects to report improved headline earnings and operating cash flows for the next reporting period.

HF BROWN

Chairman

FR THOMPSON

Chief Executive Officer

Johannesburg, 14 March 2005