

HIGHLIGHTS – SCHOOLS*



* Represents the group's continuing operations comprising of Curro and Meridian schools.

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	% change	Audited 31 Dec 2017 R million	Audited Restated 31 Dec 2016 R million
Revenue	22%	2 099	1 715
Operating expenses	22%	(1 626)	(1 338)
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	25%	473	377
– Schools EBITDA	22%	594	487
– Head office EBITDA	10%	(121)	(110)
Depreciation and amortisation	25%	(131)	(105)
Earnings before interest and taxation (EBIT)	26%	342	272
Investment revenue	(28%)	41	57
Profit/(loss) on sale of PPE		12	(1)
Gain from bargain purchase		–	15
Share of profits of associates		1	1
Impairment		–	(11)
Finance costs	(6%)	(119)	(127)
Profit before taxation (PBT)	34%	277	206
Taxation	67%	(75)	(45)
Profit for the year from continuing operations	25%	202	161
Discontinued operations			
(Loss)/profit for the year from discontinued operations	Na	(4)	7
Profit for the period (PAT)	18%	198	168
Other comprehensive income:			
Net fair value (loss)/profit on cash flow hedges		(13)	(21)
Total comprehensive income	26%	185	147
Profit attributable to:			
Owners of the parent	22%	209	172
Non-controlling interest	18%	(11)	(4)
		198	168
Total comprehensive income attributable to:			
Owners of the parent	30%	196	151
Non-controlling interest	26%	(11)	(4)
		185	147
Reconciliation of headline earnings:			
Earnings attributable to owners of the parent		209	172
Adjusted for:			
Impairment		–	11
Gain from bargain purchase		–	(15)
(Profit)/loss on disposal of property, plant and equipment		(12)	1
Headline earnings	17%	197	169
EBITDA margin		23%	22%
Schools EBITDA margin		28%	28%
Earnings per share (cents)			
– Basic	14%	51.0	44.7
– Diluted	14%	50.8	44.5
Headline earnings per share (cents)			
– Basic	10%	48.1	43.9
– Diluted	10%	48.0	43.7
Number of shares in issue (million)			
– Basic		412.0	407.2
– Diluted		413.5	408.8
Weighted average number of shares in issue (million)			
– Basic		408.9	384.7
– Diluted		410.4	386.3

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Audited 31 Dec 2017 R million	Audited Restated 31 Dec 2016 R million
ASSETS		
Non-current assets	7 276	6 509
Property, plant and equipment*	6 660	5 851
Goodwill	397	428
Intangible assets	169	191
Investment in associate	12	11
Other financial assets	38	28
Current assets	808	812
Inventories	3	10
Current tax receivable	2	7
Other financial assets*	125	4
Trade receivable	66	29
Other receivables	41	56
Cash and cash equivalents	571	706
Total assets	8 084	7 321
EQUITY AND LIABILITIES		
EQUITY		
Equity attributable to equity holders of parent	5 019	4 976
Share capital	4 733	4 556
Reserves	14	23
Retained income	272	397
Non-controlling interest	(23)	(12)
Total equity	4 996	4 964
LIABILITIES		
Non-current liabilities	2 717	1 942
Loans and other financial liabilities	2 342	1 624
Deferred tax	375	318
Current liabilities	371	415
Loans and other financial liabilities	40	27
Trade and other payables	169	126
Prepaid school fees and deposits	135	171
Development and acquisition payables	27	91
Total liabilities	3 088	2 357
Total equity and liabilities	8 084	7 321
Net asset value per share (cents)	1 226	1 222

* In the current year, management reclassified R240 million of other financial assets to property, plant and equipment with respect to the year ended 31 December 2016 in the summary consolidated statement of financial position. The reclassification had no effect on the summary consolidated statement of financial position in the previous year other than to appropriately reflect the nature of the underlying transaction, which has changed since December 2016.

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Audited 31 Dec 2017 R million	Audited 31 Dec 2016 R million
Balance at the beginning of the period	4 964	3 081
Total comprehensive income	185	147
Issue of shares	177	1 749
Share issue costs	(1)	(27)
Stadio unbundling	(345)	–
Other	16	14
Balance at the end of the period	4 996	4 964

SUMMARY CONSOLIDATED SEGMENTAL REPORT

	% change	Audited 31 Dec 2017 R million	Audited 31 Dec 2016 R million
Learner numbers (unaudited)	8%	45 870	42 343
– Curro	11%	36 205	32 545
– Meridian	(1%)	9 665	9 798
Revenue	22%	2 099	1 715
– Curro	27%	1 828	1 440
– Meridian	(1%)	271	275
Schools EBITDA	22%	594	487
– Curro	27%	540	425
– Meridian	(13%)	54	62
Net head office expenditure	10%	(121)	(110)
– Curro	11%	(110)	(99)
– Meridian	–	(11)	(11)
EBITDA margin		23%	22%
– Curro		24%	22%
– Meridian		16%	20%
Headline earnings	17%	197	169
Schools	24%	201	162
– Curro	33%	232	174
– Meridian	158%	(31)	(12)
Stadio	Na	(4)	7
Headline earnings per share (cents)	10%	48.1	43.9
Schools	17%	49.0	41.8
– Curro	26%	56.6	45.0
– Meridian	137%	(7.6)	(3.2)
Stadio	Na	(0.9)	2.1
Earnings per share (cents)	14%	51.0	44.7
Schools	22%	51.9	42.6
– Curro	30%	59.5	45.8
– Meridian	137%	(7.6)	(3.2)
Stadio	Na	(0.9)	2.1
Total assets	10%	8 084	7 321
Schools	14%	8 084	7 069
– Curro	16%	7 381	6 390
– Meridian	4%	703	679
Stadio	–	–	252
Total liabilities	31%	3 088	2 357
Schools	45%	3 088	2 132
– Curro	64%	2 315	1 414
– Meridian	8%	773	718
Stadio	–	–	225
Net asset value per share (cents)		1 226	1 222

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

	% change	Audited 31 Dec 2017 R million	Audited 31 Dec 2016 R million
Cash generated from operations	23%	489	399
Taxation paid	–	(8)	(8)
Net finance costs	13%	(77)	(68)
Working capital movements – operations		(27)	(4)
Working capital movements – investments		(64)	85
Net cash generated from operating activities	(23%)	313	404
Net cash utilised in investing activities	(30%)	(1 192)	(1 700)
Net cash from financing activities	(50%)	891	1 771
Net cash from Stadio unbundling		(147)	–
Cash and cash equivalents movement for the period		(135)	475
Cash and cash equivalents at the beginning of the period		706	231
Cash and cash equivalents at the end of the period		571	706

KEY RATIOS (UNAUDITED)

	31 Dec 2015	31 Dec 2016	31 Dec 2017	31 Jan 2018
Number of campuses	41	48	51	59
Number of schools	100	114	124	138
Number of learners	35 130	42 343	45 870	52 233
Average number of learners per campus	857	882	899	885
Number of employees	3 886	4 723	5 369	
Number of educators	2 290	2 546	2 778	
Learner/educator ratio	15	17	17	
Building size (m ²)	447 221	540 799	598 194	
Land size (ha)	359	423	444	
Capital investment (R million)	1 022	1 700	1 192	
– Current campuses (R million)	638	571	652	
– New campuses (R million)	369	649	472	
– Acquisitions (R million)	15	266	12	
– Stadio (R million)	–	214	56	

J-CURVE (UNAUDITED)

The table below illustrates the J-curve effect from the newly established schools to more mature schools by age. All amounts are as at 31 December and exclude profit on sale of assets.

	Number at 31 Dec 2017		Learner numbers (Dec)			Growth		Schools EBITDA (R million)			Growth		EBITDA margin			Eventual capacity		
	Campuses	Schools	2015	2016	2017	15/16	16/17	2015	2016	2017	15/16	16/17	2015	2016	2017	2015	2016	2017
Developed schools	36	89	20 694	24 699	28 315	19%	15%	174	258	342	48%	33%	23%	27%	27%	40%	42%	45%
2009 and before*	3	8	3 332	3 470	3 443	4%	(1%)	37	44	55	19%	25%	28%	29%	26%	84%	88%	87%
2010	2	6	2 120	2 232	2 254	5%	1%	24	31	37	29%	19%	29%	33%	35%	66%	69%	70%
2011	6	16	4 337	4 567	4 552	5%	0%	40	52	53	30%	2%	23%	26%	28%	45%	47%	47%
2012	2	6	1 618	1 788	1 904	11%	6%	15	19	25	27%	32%	23%	25%	28%	48%	53%	57%
2013	4	12	4 922	5 757	6 149	17%	7%	67	93	104	39%	12%	38%	41%	39%	50%	59%	63%
2014	4	8	1 271	1 531	1 833	20%	20%	1	3	6	200%	100%	2%	2%	9%	19%	22%	27%
2015	8	19	3 094	4 767	5 748	54%	21%	(10)	17	38	Na	124%	(13%)	13%	21%	20%	31%	37%
2016	4	7	–	587	1 179	0%	101%	–	(1)	15	–	Na	–	(2%)	22%	–	10%	20%
2017	3	7	–	–	1 253	0%	0%	–	–	9	–	–	–	–	18%	–	–	23%
Acquired schools	15	35	14 436	17 644	17 555	22%	(1%)	203	233	268	15%	15%	33%	30%	30%	75%	73%	73%
2012 and before	8	17	6 851	6 884	6 919	–	1%	121	130	142	7%	9%	38%	36%	37%	72%	72%	72%
2013	1	2	4 939	4 701	4 233	(5%)	(10%)	44	42	35	(5%)	(17%)	30%	26%	25%	82%	78%	70%
2014	2	5	2 046	2 441	2 618	19%	7%	34	43	56	26%	30%	28%	29%	33%	84%	85%	92%
2015 and 2016	4	11	600	3 618	3 785	503%	5%	4	18	35	350%	94%	17%	19%	20%	81%	69%	72%
Property rental and royalties								(3)	(4)	(16)								
Total	51	124	35 130	42 343	45 870	21%	8%	374	487	594	30%	22%	28%	28%	28%	50%	52%	53%

Note

Acquired schools indicates the year the school was incorporated into Curro. All acquired schools have been established for at least seven years.

*2009 and before schools have a maximum of 20 learners per class, which has a direct impact on the EBITDA. Other schools have a maximum of 25 learners for Curro and Select, or 35 for Meridian or Academy schools.



NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF COMPLIANCE

The summary consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports, and the requirements of the Companies Act applicable to summary financial statements. The Listings Requirements require provisional reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and 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 International Financial Reporting Standards and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements. The summary consolidated results have been prepared internally under the supervision of the Chief Financial Officer, B van der Linde, CA(SA) CFA. The directors take full responsibility for the preparation of the summary consolidated financial statements and that the financial information has been correctly extracted from the underlying annual financial statements.

2. AUDIT OPINION

These summary consolidated financial statements for the year ended 31 December 2017 have been audited by PricewaterhouseCoopers Inc., 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 a copy 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 report on all the information contained in this announcement/financial results. Shareholders are therefore advised that, in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of the auditor's report, together with the accompanying financial information from the issuer's registered office.

3. ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the summary consolidated interim financial information are consistent with those of the annual financial statements for the year ended 31 December 2016. For a full list of standards and interpretations that have been adopted, we refer you to our 31 December 2017 annual financial statements.

4. BUSINESS COMBINATIONS

Effective 1 January 2017, Curro acquired the business operations and property of Eco Kidz.

	Group
Business combinations	
Property, plant and equipment	5 147
Intangible assets	4
Trade and other receivables	46
Cash and cash equivalents	83
Deferred tax liability	(1 276)
Trade and other payables	(20)
Total identifiable net assets	3 984
Goodwill	8 316
	12 300
Consideration paid	
Cash	(12 300)
	(12 300)
Net cash outflow on acquisition	
Cash consideration paid	(12 300)
Cash acquired	83
	(12 217)

5. IFRS 13 SWAP DISCLOSURE

	2017	2016
SWAP liability	17 297	597

The interest rate swap agreements are measured using market-to-market rates by the issuer of the instruments and represents a Level 2 fair value measurement for financial reporting purposes.

6. EVENTS AFTER THE REPORTING PERIOD

In February 2018 Curro conditionally acquired Baobab School, a leading primary school that is situated in Gaborone, Botswana. They also acquired another independent school group in South Africa.

7. FINANCIAL ASSISTANCE

Further to the announcement of 16 August 2016 where Curro announced that it has established a wholly owned subsidiary, Curro Funding Company (Pty) Ltd ("Curro Funding"), to act as a funding and treasury vehicle within the Group by obtaining funding from third-party financiers and providing financial assistance to inter-related entities within the Group. Curro will, directly or indirectly, guarantee the obligations of Curro Funding in terms of such funding and provide indemnities to any third-party

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. FINANCIAL ASSISTANCE (continued)

financiers of Curro Funding. Notice is hereby given, in terms of section 45(5)(a) of the Companies Act, No. 71 of 2008, as amended ("the Companies Act"), that the board of directors of Curro ("the Board"), at a meeting held on 16 February 2018, authorised the Company to provide financial assistance, as may be required from time to time, to its wholly-owned subsidiary Curro Funding Company (Pty) Ltd by way of the granting of loans up to a maximum of R380 million, which loans bear interest ranging from zero percent to prime interest rate. The primary source of the approved financial assistance is Curro's current cash on hand. This authority was granted to the Board by shareholders at Curro's annual general meeting held on 23 June 2017. In accordance with section 45 of the Act, the Board is satisfied and acknowledges that immediately after providing such financial assistance, Curro would satisfy the solvency and liquidity test provided for in section 4 of the Act and that the terms of the financial assistance are fair and reasonable to Curro.

Overview

Curro has delivered a satisfactory set of financial results for 2017 in a tough economic market. The board believes that the group is strategically positioned and poised for both organic and acquisitional future growth.

Curro was established in 1998, and is the leading for-profit independent school provider in southern Africa. It develops, acquires and manages independent schools for learners from the age of three months to Grade 12. The different school models are Curro Castles (nursery schools), Curro, Curro Academy, Meridian and Select schools.

In its 20th year of existence, Curro has passed another milestone with more than 50 000 learners across 59 campuses (138 schools).

Learner numbers

Year	2016	2017	2018
All schools	42 343	8%	45 870
		14%	52 233

We are satisfied with the 14% growth in learner numbers in 2018, considering that 5% of 2017 learners did not enrol in 2018, mainly due to affordability reasons.

Matric results

The 22 Curro schools that wrote the IEB exams achieved an overall pass rate of 99.74%, with the 2017 Grade 12 group achieving an average of 65.4%. A total of 112 learners managed to obtain an A aggregate, with 85.14% of all Grade 12 learners receiving a BD pass (qualifying to study for a bachelor's degree) – one of the highest percentages in the country. The NSC exams were written by nine schools (824 candidates), with 346 learners obtaining a BD pass rate and ten an A aggregate. The first group of matriculants from Meridian Cosmo City, achieved a 100% NSC pass rate and a 72% BD pass rate.

Stadio Holdings

Given the potential identified in the tertiary-education market, Stadio listed separately on the Main Board of the JSE and unbundled from Curro on 3 October 2017. The Stadio results have therefore been accounted for as a discontinued operation, of which nine months' results are included in the current year and a full 12 months' results in the prior year.

Stadio embarked on a growth plan that included significant acquisitions in order to increase its product offerings in the private higher-education space, as well as the geographic expansion of its offerings (i.e. the two new Embury Institute of Higher Education (EIHE) campuses in Waterfall Estate and Montana). The once-off acquisition costs, new campus set-up costs, costs of establishing a new head office management team, as well as the costs to list Stadio, all impacted the results for the 2017 financial year. Stakeholders are referred to the trading update released by Stadio on 16 February 2018. Stadio's full year results for the 2017 financial year will be released on or about 9 March 2018.

Financial results

Continuing operations

For the year ended 31 December 2017, learner numbers increased by 8% from 42 343 to 45 870, increasing revenue by 22% from R1 715 million in 2016 to R2 099 million. Schools' EBITDA (earnings before interest, taxation, depreciation, amortisation and head office expenditure) increased by 22% from R487 million to R594 million over the same period, with EBITDA increasing by 25% from R377 million to R473 million.

The EBITDA margin increased to 23% despite the negative growth from Meridian. Satisfactory EBITDA margin growth is evident in schools where capacity utilisation increases.

Headline earnings increased by 24% from R162 million to R201 million during the reporting period. However, headline earnings per share increased by 17% from 41.8 cents to 49.0 cents due to the increase in the weighted average number of shares in issue following private placements undertaken and shares issued in terms of the Share Incentive Trust during the year.

The effective tax rate has increased from 21.8% to 27.1% due to the reduced permanent tax difference arising from the capital contribution made to the Share Incentive Trust.

Group (including discontinued operations)

Headline earnings increased by 17% from R169 million to R197 million during the reporting period. However, headline earnings per share increased by 10% from 43.9 cents to 48.1 cents due to the increase in the weighted average number of shares in issue following private placements undertaken and shares issued in terms of the Share Incentive Trust during the year.

Investment and expansion

During 2017, R1.136 billion was invested in the schools business. The capital was deployed in the following projects:

- Construction of five new campuses to the value of R324 million. These campuses include Curro Castle Oakdene (Gauteng), Curro Castle Uitzicht (Western Cape), Curro Academy Mamelodi (Gauteng), Curro Academy Riverside (Gauteng) and Curro Academy Sandown (Western Cape).
- R652 million was invested in the expansion of existing campuses, which included significant expansions at Curro Roodeplaas (high school), Curro Academy Wilgeheuwel (high school), Windhoek Gymnasium (Namibia), Curro Hillcrest Academy and Curro Hermanus.
- R148 million was invested in land banking.

During the year Curro refunded R850 million of debt at lower rates and raised additional five-year bullet funds of R650 million. Curro (excluding Meridian) has unutilised facilities of R550 million.

The group plans to invest up to R2.3 billion in 2018.

Acquisitions

Curro conditionally acquired Baobab School, a leading primary school with a 27-year history and 750 learners that is situated in Gaborone, Botswana, and another independent school group with more than 2 000 learners in South Africa.

Strategic acquisitions at competitive prices are continuously considered in addition to the greenfield expansion programme.

Directorate

Effective 26 January 2018, Douglas Ramaphosa was appointed to the Curro board as an independent non-executive director.

STATUTORY AND ADMINISTRATION

Directors: SL Botha** (Chairperson), AJF Greyling (CEO), B van der Linde (CFO), HG Louw (CIO), PJ Mouton*, CR van der Merwe*, ZL Combi**, SWF Muthwa**, B Petersen**, DM Ramaphosa**

* Non-executive

** Independent non-executive

Registered office: 38 Oxford Street, Durbanville 7550

Transfer secretaries: Computershare Investor Services (Pty) Ltd Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg 2196. PO Box 61051, Marshalltown 2107

Corporate adviser and sponsor: PSG Capital

Dividends

Stadio was listed on the JSE and unbundled from Curro on 3 October 2017.

The unbundling was accounted for as a dividend in specie in terms of section 46(1)(a)(ii) of the Companies Act, No. 71 of 2008, as amended, and section 46 of the Income Tax Act, No. 58 of 1962, as amended, and amounted to R345 million. The debit was accounted for as a decrease in retained earnings. Refer to the SENS of 9 October 2017 to understand the apportionment of tax cost with respect to the unbundling. Shareholders are advised to consult their own tax advisors in this regard.

No other dividends have been declared for the year under review.

Prospects

Curro will continue to take advantage of the significant growth opportunities in the education market both in SA and across our borders.

On behalf of the board



SL Botha
Chairperson



AJF Greyling
Chief Executive Officer

19 February 2018

CURRO

