

ANNUAL INTEGRATED
REPORT 2019

CURRO



#Learners2Leaders



'CHILDREN MUST
BE TAUGHT HOW
TO THINK, NOT
WHAT TO THINK.'

— MARGARET MEAD

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KEY FIGURES



62 698

Number of learners

76

Number of campuses

175

Number of schools

3 470

Number of teachers

18

Learner-teacher ratio

6 388

Number of employees

700 946

Building size (m²)

536

Land size (ha)



Figures as at 31 January 2020



ABOUT THIS REPORT



Introduction

This is the 2019 annual integrated report ('the report') of Curro Holdings Ltd ('Curro'), which is published for the year ended 31 December 2019 and presents an overview of the strategy, activities, practices, progress, financial and non-financial information of the company.

The report covers relevant aspects of all the operations of Curro. There has been no significant change in the scope and boundary of this report relative to previous years. Each year a wider range of information is provided in order to give shareholders and stakeholders a better understanding of Curro.

There has been no material restatement of information provided in earlier reports.

The information in this report has been selected to cater for the interests of stakeholders who require a broad overview of the present and future direction and prospects of Curro. Stakeholders include shareholders, funders, regulators, current and prospective employees, parents, guardians, suppliers and community members. Stakeholders requiring more in-depth information are invited to contact Curro directly or to visit its website, www.curro.co.za, for further details.

The report forms part of, and should be read in conjunction with, other reports available online on the Curro website.

Frameworks and assurance

The reporting principles that have been applied in this report were guided by International Financial Reporting Standards ('IFRS'), the requirements of the King IV Report on Corporate Governance™ for South Africa, 2016 ('King IV'), guidelines


of the International Framework for Integrated Reporting, and aspects of the Global Reporting Initiative's sustainability reporting guidelines. The report also conforms to the statutory and reporting requirements of the South African Companies Act, Act No. 71 of 2008, as amended ('Companies Act'), and the Listings Requirements of the JSE Limited.

The board of directors is responsible for this report and they have apprised themselves of the materiality, accuracy and balance of disclosures in this report. In addition, external assurance for aspects of the reporting process was sought from a variety of sources. For more information, please contact Bernardt van der Linde, chief financial officer ('CFO'), on +27 21 979 1204.

Approval of the 2019 annual integrated report

The Curro board of directors acknowledges its responsibility to ensure the integrity of this report, believes it addresses the material aspects of the business, and is a fair representation of the integrated performance of the group. The board has therefore approved the 2019 annual integrated report for publication.

On behalf of the board



SL Botha
Chairperson of the Board

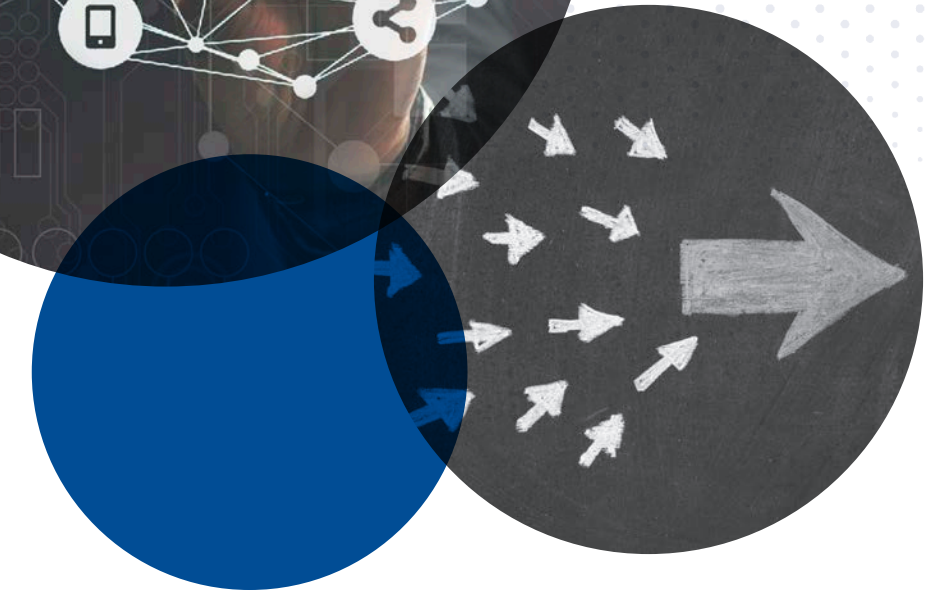


AJF Greyling
Chief Executive Officer



'DREAMS DON'T
WORK UNLESS
YOU DO.'

— JOHN C MAXWELL



ORGANISATIONAL OVERVIEW





#Learners2Leaders: Curro Monaghan

Profile of Curro Holdings Ltd

Curro Holdings Ltd ('Curro') is a JSE-listed organisation that offers relevant, quality learning and teaching to learners from the early childhood development phase to Grade 12.

This independent group of schools was established in 1998 with the vision of making independent school education accessible to more learners throughout southern Africa, and does this by developing, acquiring and managing independent schools in South Africa and in other specifically targeted markets on the rest of the continent.

Along with offering an innovative and relevant curriculum, Curro also offers an environment that is ethical, balanced, values-based and learner-centred. It prides itself on the extent of its offering with its excellent academic record and ongoing curriculum development, the rapidly increasing impact of Curro Create (focused on its arts and culture offering), and the introduction of Curro Sport in 2019, which is available to all learners from Grade 4.

Curro continues to believe that quality education is the cornerstone in the development of quality leaders and responsible citizens – citizens who will have a positive impact on the economy, environment and society.

As at January 2020, Curro is located across 76 campuses (175 schools). It has 62 698 learners and 6 388 employees, of which 3 470 are teachers.

In 2019 Curro extended its product offering from six school models to eight, widening access to quality independent school education.

Key highlights of Curro's journey since inception can be found on pages 20 and 21 of this report. The group offers a variety of ancillary services that vary between schools and include boarding, aftercare, cafeterias, school transport and activity centres.

School models

Curro's eight school models include Curro Castles (nursery schools), Curro schools, Curro Academy schools, Curro Select schools, Curro assisted-learning schools, Curro DigiEd schools, Curro private colleges and Meridian schools.

ORGANISATIONAL OVERVIEW

2.1 General

ORGANISATIONAL OVERVIEW

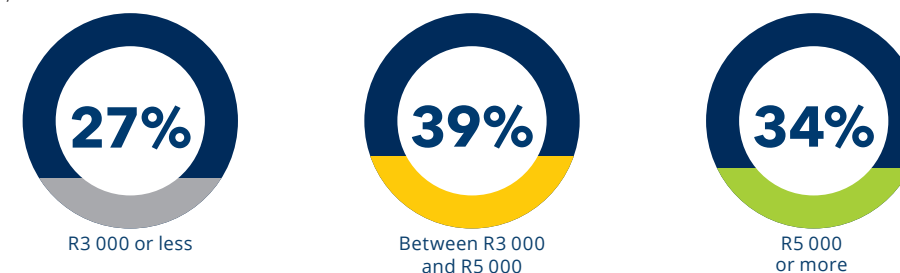
School model	Maximum class size	Average monthly school fees	Product offering
Curro Castles	Class size is dependent on the age groups of the children, however a maximum of 25 children per class is prescribed	R4 200	Curro Castles are nursery schools that offer preschool children a Curro-specific, carefully designed and unique curriculum with the early learning and development area (ELDA) in mind. Free-standing Castles accommodate children from age three months (Group 1) to Grade R, and Castles that form part of a full campus accommodate children from three months (Group 1) to five years old (Group 5). Some of these nursery schools have facilities that can accommodate up to 300 children.
Curro schools	25 learners	R4 900	Curro schools accommodate learners from age three months (Group 1) to Grade 12. They are co-ed and some schools are parallel medium (Afrikaans and English) from Group 4 to Grade 9, and dual medium from Grade 10 to Grade 12. At the end of Grade 12 the Independent Examinations Board (IEB) examination is written. Curro schools offer an enriched curriculum for academic excellence, with balanced sports and cultural activities. These schools have excellent facilities and offer all the extramural activities one would expect to find at an independent school.
Curro Academy schools	35 learners	R2 100 to R3 300	Curro Academy schools accommodate learners from age five years (Grade RR) to Grade 12, and some Academy schools also include a Curro Castle for preschoolers. Academy schools are co-ed and single medium (English), and write the National Senior Certificate (NSC) examination at the end of Grade 12. This cost-sensitive model ensures the lowest possible school fees without compromising academic standards and the Curro curriculum. Focused sports and cultural activities are offered.
Curro Select schools	25 learners	R3 100 to R6 300	Curro Select schools are schools that have been acquired by Curro Holdings and offer superior facilities and a rich heritage. Although owned by Curro Holdings, these schools retain their original well-established identities and ethos. Select schools accommodate learners from age three months to Grade 12, at the end of which the IEB or Cambridge examination is written. The medium of instruction and learning is English, producing sound academic and extramural results.
Curro assisted-learning schools	Small, focused classes	R5 500	Curro's assisted-learning schools provide high-quality academic intervention for learners from Grade 1 to Grade 12, at the end of which the NSC examination is written. The CAPS-aligned curriculum follows the same syllabus as that used in mainstream schools. Teaching styles and classes are structured and adapted to suit the individual needs of learners, assisting them to develop and grow holistically. The school focuses on the specialised education of every learner and strives to prepare them for a successful academic outcome, while encouraging every individual to attain their personal goals.

School model	Maximum class size	Average monthly school fees	Product offering
Curro DigiEd schools	Mostly class independent	R1 600 to R2 200	Curro's DigiEd schools provide a progressive, technologically advanced and innovative education for learners from Grades 8 and 9 in 2019. Higher grades will be phased in annually. Making use of the modern and technology-rich learning space, learners will write their NSC examination at the end of Grade 12. With the aid of leading international e-learning tools, the curriculum is enhanced with a project-based deep-learning programme that has an emphasis on Science, Mathematics and Technology.
Curro private colleges	Class dependent	R3 500 to R4 500	Curro private colleges offer extended opportunities to learners from Grade 10 who write the National Certificate Vocational (NCV) examination at the end of Grade 12. The NCV is a high-standard, skills-focused qualification with learners completing an NCV Level 2, 3 and 4. This qualification allows learners with a Grade 9 pass to focus their studies in the areas of Information Technology and Computer Sciences, or Finance, Economics and Accounting. The NCV is a valuable qualification that not only equips learners with the knowledge required in their area of specialisation, but also provides them with valuable skills and workplace experience.
Meridian schools	35 learners	R2 100 to R3 300	Meridian schools accommodate learners from age five years (Grade RR) to Grade 12, and one Meridian school also includes a nursery school for preschoolers. Meridian schools are co-ed and single medium (English), and write the NSC examination at the end of Grade 12. This cost-sensitive model ensures the lowest possible school fees without compromising academic standards and the Curro curriculum. Focused sports and cultural activities are offered. Meridian schools are managed by Curro Holdings as part of a joint venture with Old Mutual and the Public Investment Corporation.

As at 31 January 2020

Segmentation of monthly fees paid

In support of its vision to provide affordable, quality, independent education to as many learners as possible, and being cognisant of the economic challenges that face the population, Curro's proportion of learners per school-fee bracket (average monthly school fees) is as follows:



ORGANISATIONAL OVERVIEW

2.1 General

Curro's ethos and values

Four key principles inform Curro's value system. They are:

- Child-friendliness
- Positive discipline
- Christian ethos (ethics and morals)
- Creative thinking

Through these principles Curro creates a balanced educational space in which a learner can learn and grow, as encompassed in the name of the group, 'Curro', which in Latin means 'I run'. It can be interpreted as follows: 'I learn at my own learning pace and according to my own aptitude, attitude and talents'.

These principles form the foundation of Curro's ethical standards, which are included in the group's code of ethics, codes of conduct, good citizenship and related policies.

Curriculum approach

Curro's schools apply an innovative teaching and learning methodology in their classrooms, including an active involvement of technology that is continuously evaluated for enhancement. Curro considers the written curriculum to be the mainstay of its offering, with successful learning taking place when the taught curriculum aligns with the intentions of the written curriculum.

Curriculum strategy continues to be an important topic at the Curro strategy board meetings and it is at these meetings that enhancements to Curro's academic offering are regularly reviewed and progress on strategic initiatives is monitored.

The Castles follow Curro's preschool curriculum, which was developed in-house. This assists in developing a child's physical, social and emotional well-being, while also providing a practical framework for both adult-facilitated and self-directed learning, laying the foundation before the child goes to primary school.

During 2019, the following key developments were implemented:

- The continuation of project-based learning initiatives at primary and high school level with the successful execution of the science, technology, engineering, arts, maths and design (STEAMD) exhibition. The STEAMD curriculum will be expanded to include droning and learners will code in Python.
- The continued development and enhancement of the DigiEd and Curro private colleges curriculum.
- A new strategy to empower subject heads to manage and develop their subjects at their schools through team sharing, collaboration, curriculum planning and support with subject specialists. The purpose is to continuously explore ways to improve the classroom experience for the learners. Teachers are inspired to use different and creative teaching methods.
- Continuous specialist support that is offered to schools to ensure educational standards are maintained.
- The continuous development of digitised tests so that learners can complete them in a computer lab on their own devices – results are immediately available to the learners.
- The implementation of an inquiry-based learning programme for primary school teachers to encourage active interest, inspire creativity and provide learners with the opportunity to explore a wide range of subjects.
- The successful implementation of a new Grade R skills-based curriculum.
- The Grade 1 to 3 focus on reading a text a day has led to a remarkable increase in good reading practices and consequently in language results.
- A Castle quality and compliance specialist has been appointed to ensure an innovative and standardised curriculum is offered at the Castles nationally.
- Curro Curriculum Management and Delivery (CCMD) is now SACE-registered. This means that material developed by managers and subject advisers will be credited to them and will contribute to Curro's B-BBEE rating.
- The Curro Create offering was extended through its Curro Arts Superhero (CAS) eisteddfod to include primary school learners from Grade 4 to Grade 7, and participation increased from 1 652 learners in 2018 to 6 059 learners in 2019.
- The introduction of Curro Sport has inspired the continued development of the sports curriculum, and the Curro nationals in 2019 attracted over 40 schools with teams participating in netball, rugby 7s, boys' and girls' hockey as well as boys' and girls' soccer.

Refer to page 24 for statistics on the growth in the enrolment numbers of learners.

For details on how mature schools compare to developing schools, refer to page 65 of this report.



#Learners2Leaders: Baobab

ORGANISATIONAL OVERVIEW

2.1 General

Academic performance

Curro endeavours to create an environment that supports the development of learners into well-rounded young adults to serve on all levels of society. They should be able to serve companies, institutions and industries with relevant skill sets, acquired at school level, and subsequently at tertiary-education institutions or the like. Curro welcomes qualifying learners who enrol at its schools or schools managed by it. Curro accommodates slow, medium and fast-qualifying learners, as it acknowledges that individuals self-actualise at different phases of their lives.


Curro continues to be proud of the excellent Grade 12 pass rate achieved for the past 20 years. In 2019, a total of 2 423 (2018: 2 072) learners wrote the Grade 12 examinations (IEB, NSC or Cambridge, as relevant). A good performance was achieved with 2 344 (2018: 2 003) learners who passed. This is a 97% (2018: 97%) pass rate.

For the 2019 year Curro's IEB schools had an overall pass rate of 99.5% for its Grade 12 learners. The results showed that 85.3% of learners achieved university exemption and 9.8% an A average. The number of candidates with an average of C or above was pleasing at 70.0%.

The Grade 12 pass rate for all Curro Holdings' NSC schools in 2019 was 92.4% and 78.6% of candidates achieved university or diploma exemptions.


Refer to the tables below for more details on academic performance in 2019, including statistics on university and diploma exemptions and the percentage of learners who achieved distinctions and an average of more than 60%.

Academic results



	Number of learners	Pass rate	University exemption	Learners with an A aggregate	Average > 60%
2019	1 358	99.5%	85.3%	9.8%	70.0%
2018	1 196	99.7%	88.1%	11.5%	73.2%
2017	1 144	99.7%	85.1%	9.8%	70.3%


IEB: Independent Examinations Board



	Number of learners	Pass rate	University or diploma exemption	Learners with an A aggregate	Average > 60%
2019	932	92.4%	78.6%	1.6%	33.2%
2018	876	92.6%	81.1%	2.2%	31.7%
2017	824	92.1%	79.0%	1.1%	29.9%

*Meridian and Curro Academy schools

NSC: National Senior Certificate



	Number of learners	Pass rate	University exemption	Learners with an A aggregate	Average > 60%
2019	133	99.2%	45.9%	19.6%	86.3%
2018	124	100%	70.9%	14.5%	49.2%
2017	125	100%	58.4%	11.2%	44.0%

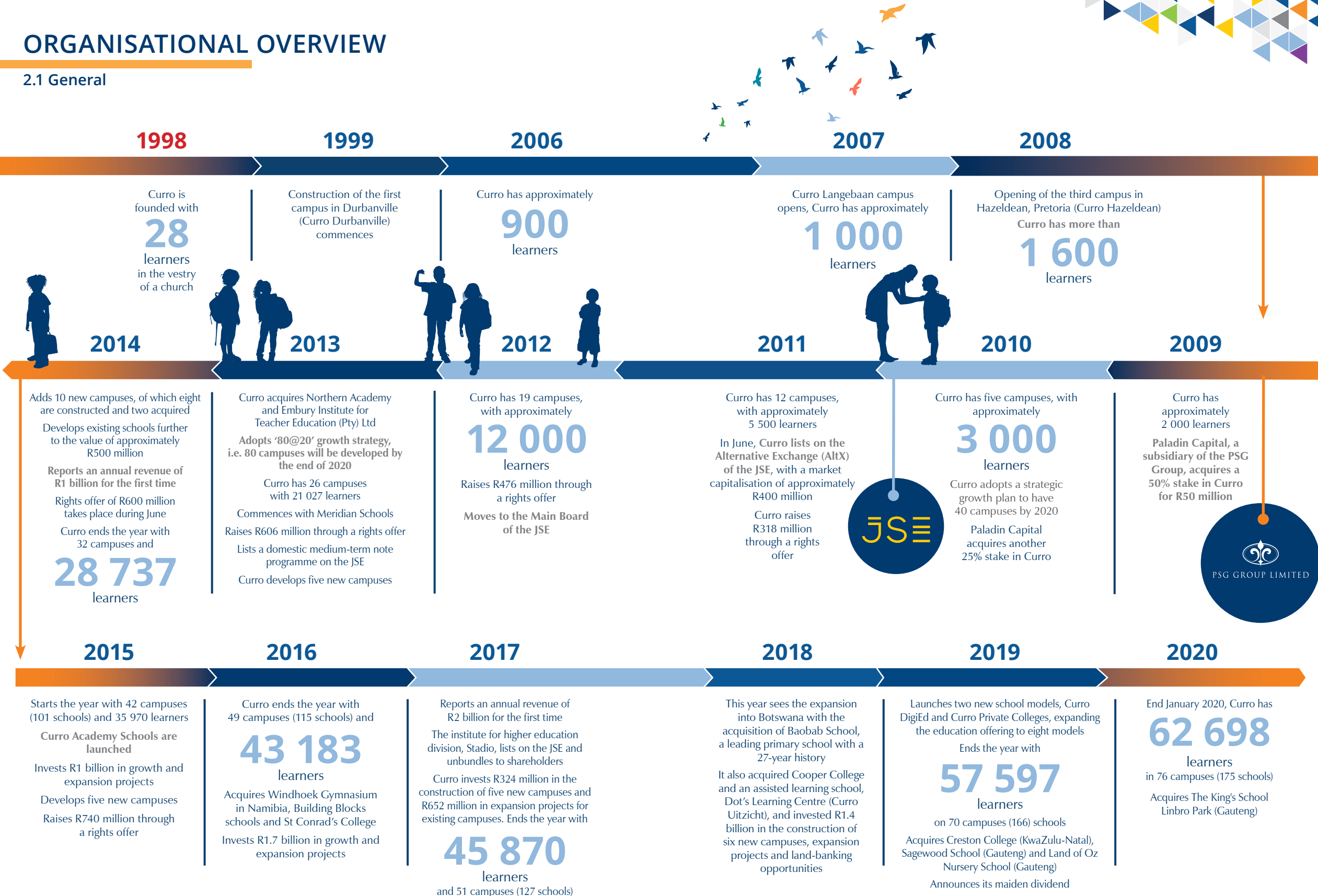
** Windhoek Gymnasium



#Learners2Leaders: Curro Midrand - Sagewood Campus

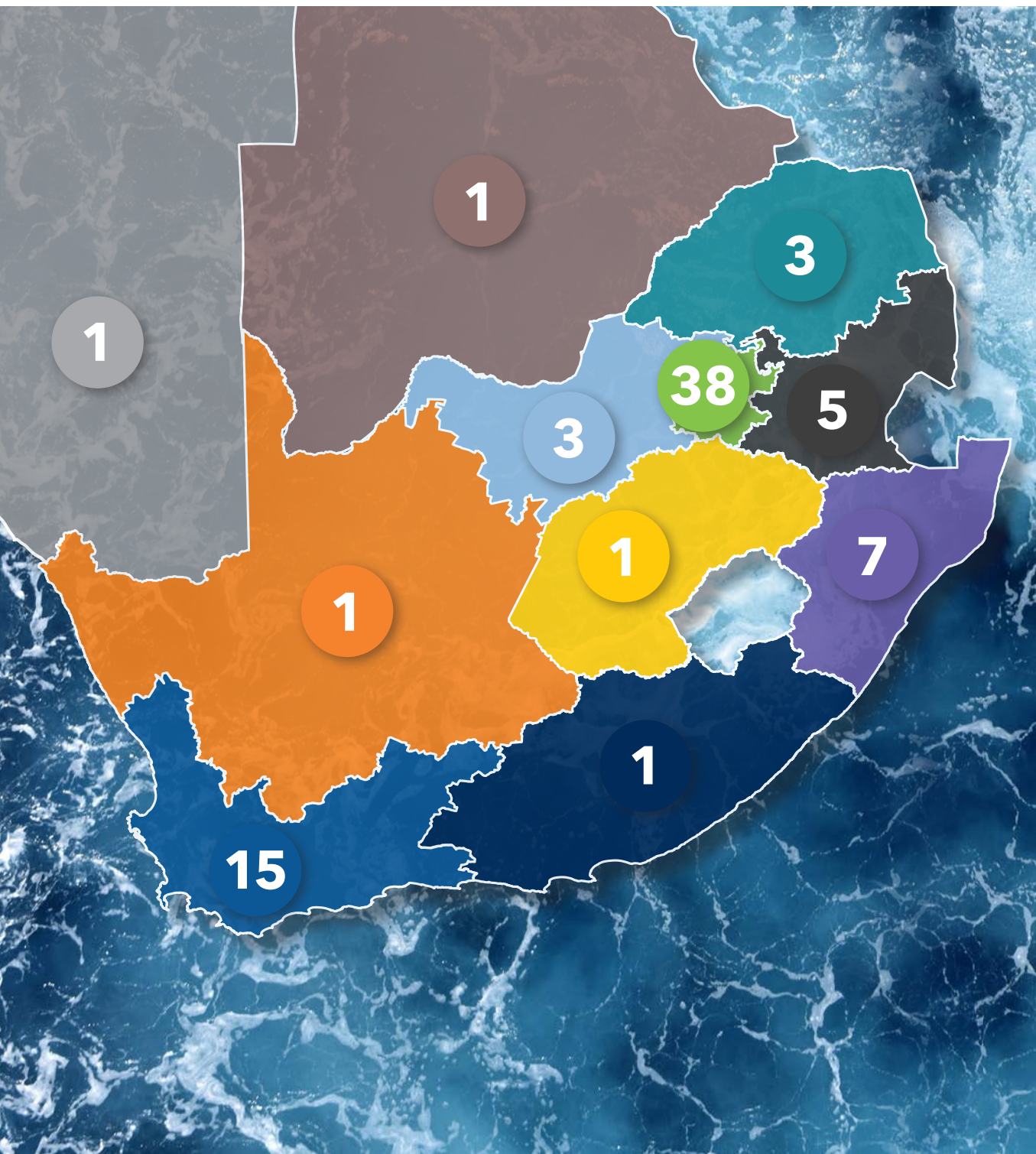
ORGANISATIONAL OVERVIEW

2.1 General



ORGANISATIONAL OVERVIEW

2.2 Geographic footprint by campus (January 2020)

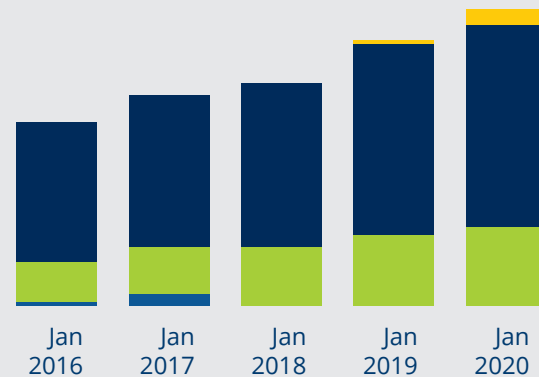


Province/Country	Campus Name	Count	Gauteng Total
Botswana	Baobab School	1	38
Eastern Cape	Curro Westbrook	1	
Free State	Curro Bloemfontein	1	
KwaZulu-Natal	Creston College (Port Shepstone)	7	
	Curro Heritage House (Durban)		
	Curro Hillcrest		
	Curro Mount Richmore (Ballito)		
	Grantleigh (Empangeni)		
Limpopo	Meridian Newcastle	3	
	St Dominics Newcastle		
	Curro Heuwelkruin (Polokwane)		
Mpumalanga	Northern Academy I (Polokwane)	5	
	Northern Academy II (Polokwane)		
	Curro Bankenveld (Witbank/Emalahleni)		
	Curro Nelspruit		
North West	Curro Secunda	3	
	Meridian Karino (Nelspruit)		
	Curro Academy Mbombela		
Northern Cape	Curro Kathu	1	
Western Cape	Curro Academy Mahikeng	15	
	Curro Klerksdorp		
	Meridian Rustenburg		
	Curro Academy Sandown (Table View)		
	Curro Brackenfell		
	Curro Castle Burgundy		
	Curro Castle George		
	Curro Century City (Cape Town)		
	Curro Delft		
	Curro Durbanville		
	Curro Foreshore (Cape Town CBD)		
	Curro Hermanus		
	Curro Langebaan		
	Curro Mossel Bay		
	Curro Rosen Castle (Tyger Valley)		
Curro Sitari (Somerset West)			
Curro Uitzicht (Durbanville)			
Meridian Pinehurst (Kraaifontein)			
Namibia	Windhoek Gymnasium	1	
Gauteng			38
Cooper College (Johannesburg North)			
Curro Academy Clayville			
Curro Academy Mamelodi			
Curro Academy Parkdene (Boksburg)			
Curro Academy Pretoria			
Curro Academy Protea Glen			
Curro Academy Riverside			
Curro Academy Savanna City			
Curro Academy Soshanguve			
Curro Academy The Blyde			
Curro Academy Wilgeheuwel			
Curro Aurora (Randburg)			
Curro Castle Bryanston			
Curro Castle Douglasdale			
Curro Castle Oakdene			
Curro Edenvale			
Curro Hazeldean (Pretoria)			
Curro College Hazeldean (Pretoria East)			
Curro Helderwyk (Brakpan)			
Curro Jewel City			
Curro Krugersdorp			
Curro Midrand (Halfway Gardens)			
Curro Midrand (Sagewood)			
Curro Monaghan			
Curro New Road			
Curro Rivonia			
Curro Rodeplaat			
Curro Serengeti (Kempton Park)			
Curro Thatchfield (Centurion)			
Curro Vanderbijlpark			
Curro Waterfall			
Land of Oz (Fourways)			
Land of Oz (Chartwell)			
Meridian Cosmo City			
Northriding College (Roodepoort)			
The King's School Linbro Park			
Waterstone College (Johannesburg South)			
Woodhill College (Pretoria)			

ORGANISATIONAL OVERVIEW

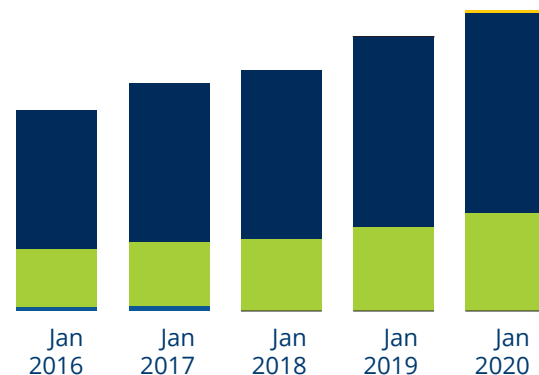
2.3 Key statistics

Number of campuses



	Jan 2016	Jan 2017	Jan 2018	Jan 2019	Jan 2020
Institute for higher education	1	3	-	-	-
Meridian and Curro Academy schools	10	12	15	18	20
Curro, Curro Castles and Curro Select schools	36	39	42	49	52
DigiEd schools	-	-	-	1	4
Total	47	54	57	68	76

Number of learners



	Jan 2016	Jan 2017	Jan 2018	Jan 2019	Jan 2020
Institute for higher education	800	978	-	-	-
Meridian and Curro Academy schools	12 022	13 453	14 975	17 512	20 379
Curro, Curro Castles and Curro Select schools	29 042	33 158	35 258	39 721	41 792
DigiEd schools	-	-	-	43	527
Total	41 864	47 589	50 233	57 276	62 698

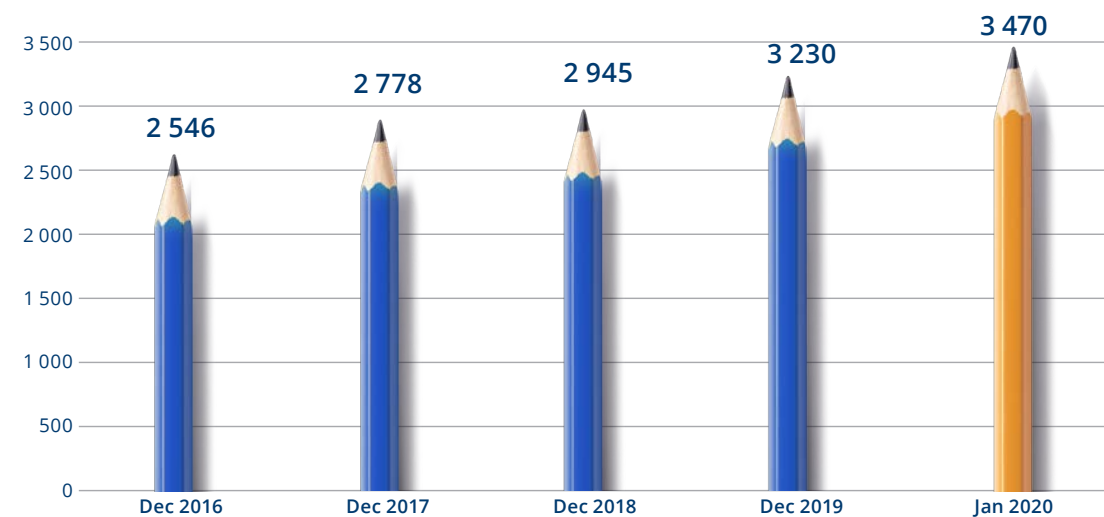
Learner demographics – 2019



73%
Black

27%
White

Number of teachers



ORGANISATIONAL OVERVIEW

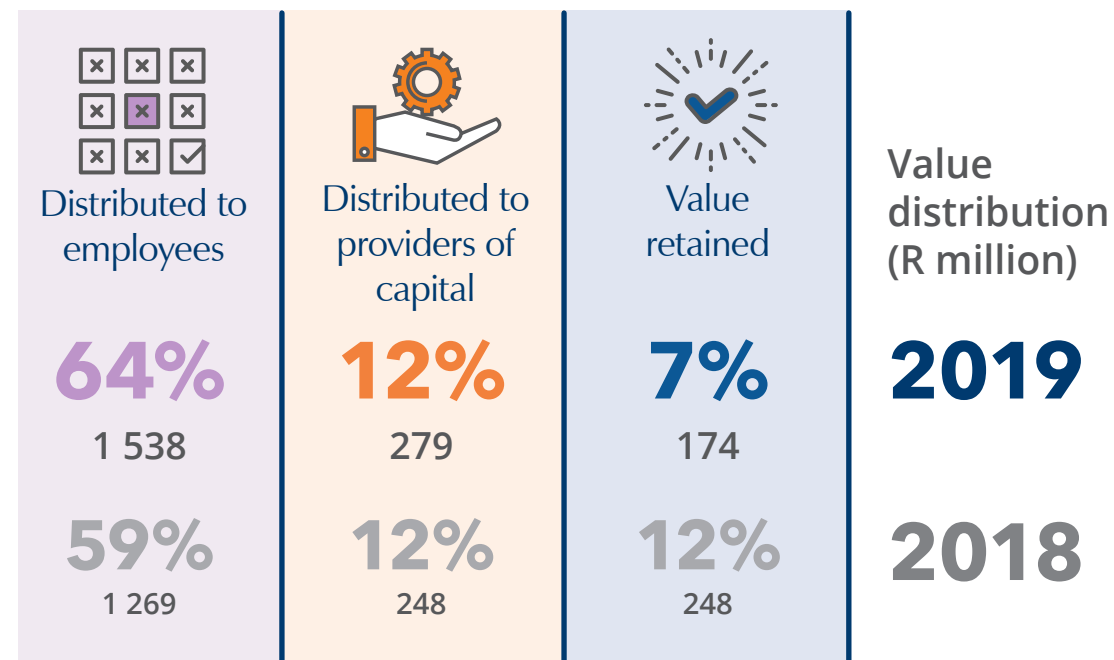
2.4 Group financial performance review

Key performance indicators for the years ended 31 December 2019

	2014	2015	2016	2017	2018	YOY growth	2019	CAGR
Profitability								
Revenue (R million)	1 001	1 384	1 714	2 098	2 496	18%	2 944	24%
Employee costs (R million)	550	738	936	1 090	1 269	21%	1 538	23%
EBITDA (R million)	191	292	377	472	627	11%	693	29%
Recurring profit attributable to ordinary shareholders (R million)	55	98	172	209	248	(15%)	212	31%
Recurring headline earnings per share (cents)	17.2	28.3	43.9	48.1	60.1	(15%)	51.0	24%
EBITDA margin	19%	21%	22%	23%	25%		24%	
Statement of financial position								
Total assets (R million)	4 073	5 079	7 321	8 085	9 165	14%	10 485	21%
Interest-bearing liabilities (R million)	1 399	1 583	1 624	2 342	2 853	29%	3 680	21%
Equity (R million)	2 211	3 081	4 964	4 996	5 272	3%	5 416	20%
Net asset value per share (cents)	679	865	1 222	1 213	1 277	3%	1 312	14%
Capital investment (R million)								
Current campuses	651	626	571	652	590		949	
New campuses	482	369	649	472	534		209	
Acquisitions	172	15	266	12	369		127	
Stadio	0	20	214	56	(120)		-	
Total capital investment	1 305	1 030	1 700	1 192	1 373		1 285	

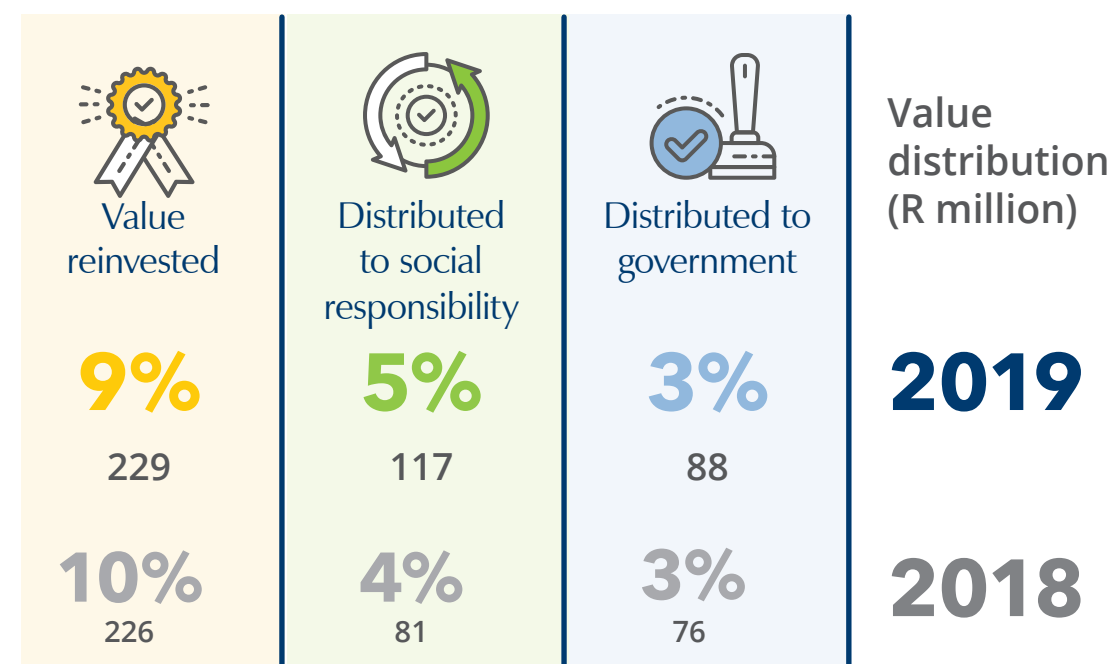
VALUE ADDED

Curro continues to provide value to stakeholders, balancing its strategies with respect to social responsibility, sustainability and responsible citizenship, as can be seen in the value distribution statistics below.



'AN INVESTMENT
IN KNOWLEDGE
PAYS THE BEST
INTEREST.'

— BENJAMIN FRANKLIN



ORGANISATIONAL OVERVIEW

2.5 Group highlights 2019

Curriculum

- Solid matric results were achieved in the IEB and NSC examinations.
- The project-based learning approach was continued, with four STEAMD events held countrywide.
- Standardised tests and examinations were written to ensure continued focus on quality education.
- Private College Rivonia was launched – this is the first school in their stable to offer the National Certificate Vocational (NCV) as an alternative to the National Senior Certificate and focuses on IT and computer science, where the biggest need exists.
- A new strategy was implemented to empower subject heads to manage and develop their subjects at their schools through team sharing, collaboration, curriculum planning and support with subject specialists. The purpose was to continuously explore ways to improve the classroom experience for the learners. Teachers were inspired to use different and creative teaching methods, and were open to receiving help, accepting feedback and growing in confidence.
- The introduction of creative play with loose parts during 2019 nurtures all elements of 21st-century skills and has seen great results in all aspects of learning.
- Among the many individual achievements of Curro learners, Megan Furter from St Dominics Newcastle received a bursary from Eskom to the value of R400 000 at a university of her choice for the robotics project she presented at the Eskom Expo for Young Scientists.

Business development

- Learner numbers increased to 62 698 in 2020, especially in high school grades, which equates to 7.1% against 5% in 2019.
- A dividend of 10.2c per share (2019: 12c per share) was paid in March 2020.
- During 2019, R1.3 billion was invested in the business in terms of several projects such as construction, expansion of existing campuses, land banking and acquisitions.
- Four new school campuses were constructed, and the academic year opened with impressive enrolment numbers.
- Three schools were acquired during 2019: Creston College, Sagewood School and Land of Oz Nursery School.
- The King's School Linbro Park acquisition was effective in 2020.
- The development of the first DigiEd school and the first NCV college was finalised. The schools opened in 2019.
- The look and feel of the Curro Castle Nursery Schools were revisited to ensure a more competitive market positioning.

Business and financial management

- Realignment of operational management structures.
- A learner retention strategy was developed.
- The centralisation and expansion of the financial contact centre, financial assistance and the customer call centre progressed well.
- Curro's technology utilisation again ensured it was one of the largest technology networks in South Africa.
- A maintenance unit focusing on preventative maintenance was formed, with a positive effect on cost management.
- Cashless campuses were introduced in selected Gauteng schools for the safety and security of the learners.
- Marketing efforts on the ground were launched using local teams to assist in the communities and to encourage early enrolments.
- A new data centre was implemented to ensure uninterrupted business service.

Human resources

- Employment equity and transformation:
 - EE for teachers, senior management and interns – 33%.
 - EE for all staff achieved – 44%.
- School-specific staff wellness initiatives were held during the year.
- Shifts in school leadership have seen an improvement in individual performance.
- Considerable progress has been made regarding the roles and effectiveness of the parent advisory committees ('PACs').
- Management teams at various schools were developed and mentored, and training and development opportunities were provided.

Sports and culture

- In 2019 Curro continued to build on the sports and culture capabilities in their schools.
- Curro learners excelled in various sports codes on an international, national and local level.
- Curro Create held its second national eisteddfod with 6 059 entries for 2019 compared to 1 652 entries in 2018. Schools entered a National Youth Theatre Festival with 43 productions.
- Curro Sport was established with the aim of improving the current sports standards and creating opportunities for learners to compete at higher levels. During 2019 some initiatives included the sports conference, the development of sports guidelines, national competitions, an improved sports sponsorship structure and sports awards.

Community outreach

Every year, Curro schools (staff, learners and parents) donate their time, energy and resources towards a number of community outreach projects. These projects form a large part of the annual planning for their schools, and every year they continue to give selflessly to the benefit of others who need assistance.

In 2019, Curro introduced a new project known as Princes and Princesses, in which matrics were invited to donate their matric farewell outfits back to the Curro community for the next year of matriculants. This was in order to help those who do not have the resources to put towards this event that is the highlight of the year for matric learners. Curro received approximately 240 items from the class of 2019.

During 2019, Curro schools participated in a large number of community outreach projects. These included, but were not limited to:

- Visiting and spending time with the aged at a variety of institutions.
- Supporting CANSA through a number of activities and events.
- Recycling initiatives to save the environment and to raise funds for those in need.
- Spending time with children with disabilities.
- Celebrating Nelson Mandela Day by giving their time and donations at various events.
- Collecting and distributing food, clothing and other essential items to various institutions and communities in need.
- Collecting and distributing supplies for animal welfare organisations.
- Spending time painting and cleaning up community centres and schools in need.
- Environmental projects such as beach clean-ups.

Curro is proud of the time and effort that each of their schools puts into helping the community. Each action lends itself to developing every learner to be a well-rounded individual who is considerate of the needs of others.

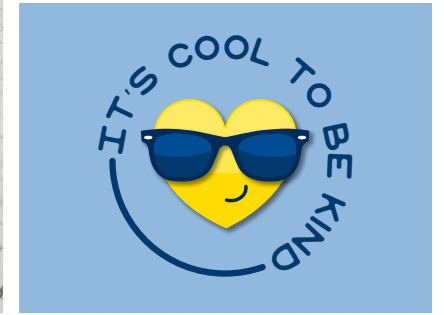


Top: Curro Hazeldean - recycling till slips to raise money to purchase a wheelchair for a welfare organisation

Below: Curro Uitzicht - Slipper Day

ORGANISATIONAL OVERVIEW

2.5 Group highlights 2019



Opposite page from left to right:
 Curro Mount Richmore – sandwiches for Mandela Day
 Curro Aurora – winter warmer drive
 Curro Mount Richmore – Santa Shoebox
 Creston College – collections for the SPCA
 Curro Academy Parkdene – collection of food and blankets for an animal shelter

Curro Castle George – donations of playdough to a local school
 Meridian Newcastle – donations of food and clothing to a child and youth centre
Above: from left to right
 Meridian Pinehurst – donating shoes
 Heritage House – painting furniture at a home for the aged
 Northern Academy – recycling drive

ORGANISATIONAL OVERVIEW

2.5 Group highlights 2019



#Learners2Leaders: Phoebe Mgxaji

Phoebe Mgxaji, Grade 11 Ruta Sechaba recipient at Curro Sitari, attended the 39th Beijing Youth Science Creation Competition. She was one of only four girl-scientists from South Africa selected to exhibit at the event in China where she was awarded the special award for Youth Science and Technology Innovation, sponsored by the Beijing district government.

Not only is Phoebe an active participant in all aspects of school life, she also performed in the *From Bird Street to Broadway* production at the Stellenbosch Woordfees with a professional cast presented by the Curro Create project.



Phoebe's unforgettable performance at the 2019 Curro Create Kryptonite concert.



The Ruta Sechaba Foundation, a public benefit organisation, provides scholarships, bursaries and awards to qualifying learners at Curro and Curro-managed schools. The PSG Group BEE Education Trust was the initial donor to the foundation, which was established in 2016.

At the end of 2019, the Ruta Sechaba Foundation had 400 (2018: 260) learners on academic and sports scholarships. More than 1 900 applications were received for the 2020 academic year, and just over 500 scholarships were awarded. In order to ensure that as many qualifying learners as possible could be accommodated, Curro Holdings also granted bursaries to learners through individual schools' bursary schemes.

The foundation is appropriately governed through its trust deed by the independent trustees appointed. The total funding for 2020 is expected to be approximately R17 million, with the main donor being PSG (PSG Group BEE Education Trust), contributing R14 million. Contributions of approximately R3 million from external donors will contribute to the education of just over 60 learners in 2020.

Ruta Sechaba matric 2019

In 2019, 50 Ruta Sechaba learners wrote the Grade 12 exam (2018: 27). A total of 48 learners completed the examinations successfully and 44 learners achieved a DB/university exemption (2018: 27). One learner was unable to write all the subjects in 2019 and was granted a multiple exam opportunity during 2020. Ruta Sechaba beneficiaries achieved approximately 80 subject distinctions, with six learners receiving awards for outstanding performance at the Curro Matric awards gala.

The top Ruta learner, Pheladi Rachoshi, at Northern Academy Limpopo achieved seven distinctions, and Regan Damons of Curro Durbanville, Dyondzo Chauke of Meridian Cosmo City Gauteng and Manqoba Ngwenya at Meridian Newcastle KwaZulu-Natal achieved six distinctions each.

Over 50 Ruta Sechaba beneficiaries are expected to write the matric examinations in 2020.

Curro Titans

Curro Titans was launched in 2017 with one learner and aims to identify talented cricket players from the Pretoria townships and award cricket scholarships for learners to access quality education at Curro schools. There are currently 13 beneficiaries. While the scholarship recognises cricket talent, a critical component of the Titans programme is to give learners an opportunity to complete Grade 12 successfully so that they can pursue a higher-education qualification as an option to playing sport after school. Two learners have so far written the Grade 12 IEB examination at Curro Hazeldean.

The programme also provides learners with opportunities to participate successfully in other sports offered by Curro – events include the provincial Titans team at the end of 2019 and the junior Bafana Bafana soccer team (Amajimbos) that participated in the 2019 COSAFA tournament in Blantyre, Malawi. In 2020, the Titans will participate in the T20 Cricket tournaments in Gauteng.

At the end of 2019, the Titans' fitness coach and the boys' recruiter, Tumi Masekela, was appointed as fitness coach for the national team by Cricket South Africa. He continues to work with Curro to ensure that the learners remain on track on the field and in the classroom. The relationship between the Titans and the Northerns Cricket Union will explore other postschool opportunities within cricket.

Allan Gray Orbis Foundation

Application forms to encourage matrics to apply to the Allan Gray Orbis Foundation were circulated to schools in February 2019. Ten learners took advantage of the opportunity, three learners were successful in their application and three were offered scholarships for university study.

ORGANISATIONAL OVERVIEW

2.6 Curro's investment case

Why invest in Curro?

Strong demand and potential for the product

Curro believes that the purpose of education is to empower all learners and staff to achieve their full potential as individuals and members of society. This is reflected in its brand promise, in which the company promises that it will provide 'Quality education for future leaders'.

The public sector in South Africa has a significant backlog in the provision of schooling. New government schools are required in rural and under-developed areas, where parents do not have the ability to pay school fees. As it is unlikely that the private sector will get involved in these areas, this is where the greatest need exists. Newly developed middle- and upper-income residential areas seldom receive a new government school. Consequently, this huge demand puts significant pressure on capacity at existing schools in the latter areas, with no learner being denied access unless numbers have reached the cap of 40 learners per class.

Curro believes the above-mentioned challenges provide positive dynamics for the independent-school sector to grow significantly.

Market information	Number of learners (million)	As % of total
Total number of learners in South Africa ¹	12.9	–
Global average number of learners in independent schools	1.7	13% ¹
Number of learners who can afford some form of independent schooling	1.5 ²	10% – 14%
Number of learners in independent schools in South Africa	0.5 ³	
A possible additional market potential (midpoint)	1.1	

References

¹ UNESCO

² Number of learners who can afford some form of independent schooling based on the number of taxpayers earning > R350 000 per annum (88% between ages 25 and 55 years) – 1.3 million (Ref: SARS) and the number of medical aid beneficiaries aged 5 to 18 years – 1.8 million (Ref JP Morgan)

³ Department of Basic Education (www.education.gov.za)

Curro estimates that there is potential for an additional 1.1 million learners to attend independent schools, implying that up to 733 new independent school campuses of 1 500 learners each may need to be established. This does not take into account future population and economic growth.

Curro requires an additional four campuses to accomplish the aim of 80 campuses going into 2021. The company will not focus on the development of new greenfields, unless the business case is compelling. Acquisitions will

be considered only when they complement the current offering. Curro will focus on existing capacity in the foreseeable future and fill up the present schools. Curro's market share will still represent only approximately 3.7% of the total current market.

Competitive advantages

Curro has developed significant competitive advantages, with the most notable being:

- The development of a trusted brand with a track record of academic excellence since 1998.
- Models for quality independent schooling at the different price levels.
- Efficient campus design, development and funding methodology.
- A maturing portfolio of schools, with the majority being cash generative. The start-up phase of a new school requires substantial financing given the high fixed-cost component, and it may take up to five years to generate free cash flow.
- A holistic offering in terms of curriculum, culture and sport.
- Learners are usually loyal to the schools they attend.

Other advantages that will benefit the business in the future are:

- Accreditation with Umalusi and registration with the Department of Education, which indicate Curro is a recognised entity that is trusted by the regulatory stakeholders.
- Development of curriculum support materials that are used in all its schools.

Strong predictability in the business model, a high proportion of annuity income and high cash generation

- A school is a very predictable business. Once enrolled, a large proportion of learners will attend the same school throughout their school career.
- Schools are very cash generative, with a predominance of annuity income. School fees are paid annually or monthly. Curro's bad debts are carefully managed and at approximately 1.8% of revenue are low compared to market norms.
- Costs are mainly fixed and predictable for a year and for future years, with salaries comprising 70% of expenses.
- Schools are operationally geared, therefore the majority of costs are fixed or semi-fixed, which means that with every additional learner a larger proportion of revenue will have an impact on profit.

Curro is the market leader

As at January 2020, Curro had 62 698 learners – over 50% more learners than the second biggest domestic for-profit independent-school group.



- Globally, Curro is among the 10 largest for-profit school groups based on learner numbers.
- Curro has invested more than R10 billion in facilities over the past seven years.
- Curro's potential market increases as a result of its range of products across different price categories.
- Curro provides independent schooling for as low as R1 650 per month, which compares very favourably with former model C government schools.
- More than 65% of Curro's learners on average pay less than R5 000 per month for schooling, with 27% paying less than R3 000 per month.

Significant skills and experience

- Curro has a specialist and experienced management team with a proven track record of value creation.
- Curro's in-house design and project management

team has, over the years, developed a standard costing approach that is at least 20% lower than that of comparable projects. This enables Curro to charge lower school fees and generate similar returns on investment.

- Curro invests significant resources in developing 21st-century teaching methodologies that adapt to the way children learn in our society today.

Geared for growth

- Curro currently utilises 52% of eventual capacity, implying a revenue growth potential of 88% (based on 90% of eventual capacity filled), with limited requirements for additional capital investment or increased operational expenses.
- Curro has a strong, supportive shareholder of reference and shareholders and funders who are supportive of its growth aspirations.

BE FEARLESSLY
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— UNKNOWN

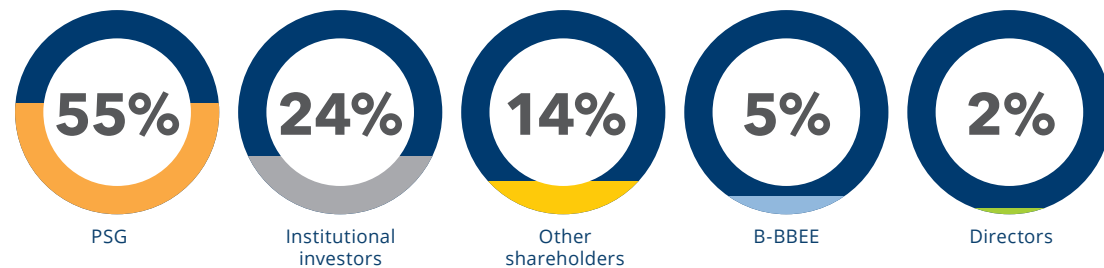
ORGANISATIONAL OVERVIEW

2.7 Shareholder structure

Share price history
Curro Holdings Limited (COH)



Shareholder structure



Listing information

JSE share code	COH
Sector	Consumer services – retail
Subsector	General retailers

Stock exchange performance

For the years ended	2013	2014	2015	2016	2017	2018	2019
Market price – high (cents)	2 955	3 095	5 999	5 800	5 092	4 373	2 923
Market price – low (cents)	1 379	2 405	2 715	3 500	3 387	2 251	1 581
Market price – close (cents)	2 780	2 900	5 779	5 020	4 240	2 551	1 770
Market price – average (cents)	1 902	2 679	3 788	4 339	4 319	3 057	2 221
Volume of shares traded (million)	22	26	39	98	107	71	62
Value of shares traded (R million)	425	709	1 485	4 162	4 523	2 207	1 354
Volume/weighted average number of shares (%)	8	8	11	25	26	17	15
Market capitalisation (R million)	8 195	9 442	20 623	20 439	17 473	10 512	7 294
Price-earnings ratio at year-end	216	171	205	114	88	42	23



#Learners2Leaders: Curro DigiEd schools

ORGANISATIONAL OVERVIEW

2.8 The capitals

Curro has several key resources at its disposal with which it creates value for all its stakeholders.

INPUTS

ACTIVITIES

OUTPUTS

OUTCOMES



Financial capital

Curro's financial inputs come from:

- Equity financing
- Internally generated cash flows
- Debt funding

The group uses its financial capital to:

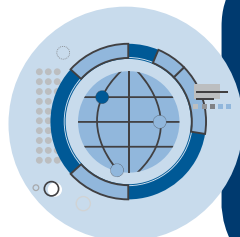
- Maintain and improve existing campuses
- Develop new and enhance existing curriculums
- Develop new campuses
- Cover its operating costs
- Acquire schools
- Invest in the continuous training and development of its teachers and support staff

Curro has shareholders' equity of R5.4 billion with net debt of R3.7 billion.

During the 2019 financial year the group generated cash flow of R467 million through operations, increased its debt funding by R800 million and had R92 million of opening cash. This financial capital was used for net finance costs to providers of capital (R243 million).

Curro's number of campuses has increased to 76 (Jan 2019: 68), and its number of schools has increased to 175 (Jan 2019: 164).

Further information is available in the financial review on pages 60 to 69.



Productive/
manufactured capital

Curro's campuses, curriculum and teachers form the heartbeat of its productive capital. Growing its resources of productive capital requires the investment of financial capital.

In 2019 Curro invested:

- R949 million in existing campuses
- R209 million in new campuses and land banking
- R127 million in acquisitions

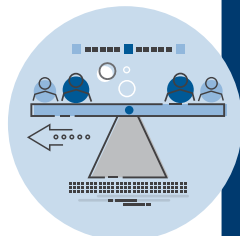
Investment in the development of the curriculum amounted to R28 million.

Curro has R9.9 billion of non-current assets. Its replacement and market values are expected to be between R2 billion and R2.5 billion higher respectively.

Curro has 76 campuses across southern Africa. These campuses are currently operating at 70% of built capacity and 52% of eventual capacity.

The quality and uniqueness of its campuses, continuous design and development of its curriculum and holistic learner-centric offering in terms of sport and culture are key differentiators for Curro's business and its focus on the ongoing development thereof.

Further information is available in the financial review on pages 60 to 69.



Human capital

Human capital inputs are as follows:

- Skilled and experienced teachers across the various Curro models with the ability to engage their learners in all domains of learning
- Motivated and competent teaching, administrative and support staff
- Centralised head office staff to provide essential shared services to schools to enable them to focus on education

Curro invests financial capital to employ and develop human capital through:

- Continuous professional development
- The provision of appropriate remuneration, incentives and an employee retention scheme
- Internship programmes for various occupations, including IT, marketing and teaching
- Continuous development of a culture of strength-based leadership in all Curro schools through ongoing leadership and development coaching initiatives
- Keeping its employees safe and healthy by ensuring that its facilities comply with the Occupational Health and Safety Act, No. 85 of 1993, as amended ('OHASA')

As at 31 January 2020, Curro had 6 388 employees, which included 3 470 teachers. The number of employees has increased by an average of 15% per year since 2014, mainly due to organic and acquisitive growth.

The average learner-teacher ratio of 18 contributes to productive capital in the education of Curro's learners.

During the 2019 financial year Curro invested R1 569 million in the remuneration of its employees, which included a share incentive scheme to incentivise and retain key employees and management.

Curro registered 101 interns in education for teaching courses, from higher certificates and diplomas to BEd degrees.

Eleven (11) members of the senior management team were registered for the Postgraduate Diploma in Business Administration.

Curro's teachers are the primary interface with its learners and parents, and their motivation and competence are key determinants of the group's future success and sustainability. The outcome of the efforts of Curro's human capital investment is seen in the local and international success of their growing alumni base.

The Curro Curriculum Management and Delivery (CCMD) division ensures that Curro's teachers receive continuous training and development. Through Embury's Institute for Higher Education, teachers can continue their tertiary education, which is sponsored by Curro. The investment in human capital has a positive impact on Curro's productive capital and also ensures that Curro nurtures its intellectual capital.

The detailed demographics of Curro's employees are contained on page 59 of this report.

The remuneration policy and implementation reports are contained on pages 84 to 97.

ORGANISATIONAL OVERVIEW

2.8 The capitals

INPUTS

ACTIVITIES

OUTPUTS

OUTCOMES



Intellectual capital

Curro's intellectual capital includes its:

- Brand and related reputation
- Information and technology systems
- Curriculum development and ongoing enhancement
- Investment in governance structures to ensure that it maintains best-practice corporate governance
- The ability to ensure that its campuses are all aligned with the group's strategic objectives and business model

The ongoing development and maturation of IT governance processes have been evident in:

- The regular use of an IT-governance framework
- The annual review of the IT strategy to align it with Curro's strategy
- The ongoing review and consideration of audits (conducted internally through Curro's outsourced internal audit, and externally through its external audit function)
- The routine consideration of IT-governance matters on the agendas for the audit and risk committee and related board meetings
- The embedding of appropriate IT-governance practices in day-to-day operations

Curro has an ongoing drive to improve its information and technology systems to support 21st-century teaching and learning and increase the capacity of its corporate systems.

Curro has access to highly skilled architects and a new-business development team to ensure it is on par with the latest global design and development trends to contribute to the learning environment.

The skills of Curro's management team have allowed the group to take advantage of growth opportunities.

The company's commitment to best-practice corporate governance contributes towards strengthening Curro's brand and reputation.

The company's brand is one of its most valuable assets and Curro relies on its employees to protect and represent the brand. Curro's executive management team collectively has more than 70 years' experience and a significant knowledge base in selecting, developing and managing schools.



Social and relationship capital

Curro actively manages stakeholder relationships on which the business depends. These include:

- Parents and learners
- Employees
- Communities
- Business partners
- Government regulators

Through its focus on responsible marketing practices in the group and aligned with its responsible marketing policy, every school has at least one upliftment project relevant to the community in which the school is located. These projects help to educate its learners and staff to be responsible corporate citizens. Projects typically involve the learners, parents, employees and, where relevant, the companies that sponsor projects. Curro also contributes financially to these projects.

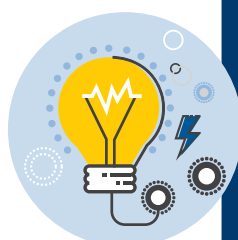
Parent representation is formalised through PACs at school level. The PAC enables and strengthens communication to the benefit of the school and its learners.

Curro contributed R117 million to corporate social investment and bursaries for the year ended 31 December 2019.

The group regularly engages with the members of executive councils (MECs), departments of education and Umalusi to discuss developments in education and suggest ways in which the independent sector can assist the government.

Measured and constructive contributions have been made to worthy projects in the society in which Curro operate their schools.

Curro's marketing and communication activities reflect their respect for the relationship between school, parent and child, with due care taken and legal requirements being met in terms of imaging and references to individual learners, their parents and other stakeholders in Curro's environment. Their marketing elements are designed to be appropriate and consistent to appeal to parents and potential learners; they emphasise the benefits of Curro's offerings across all their pricing models, including the campus design and locations, without exaggeration and false promises. The company places significant value on the goodwill created between itself and its involvement in the surrounding communities, as it aims to create longstanding relationships in these areas.



Natural capital

Although the impact of Curro's operations on the environment is relatively low, the group continuously focuses on minimising negative effects on the environment.

Energy usage

Energy-saving techniques are implemented when a new school is constructed.

Water

Landscaping experts are consulted during the design phase of campuses to ensure water-wise gardens and fields.

In addition to the above, environmental impact studies are conducted on new sites during the land-banking process. This ensures that the outcomes thereof are taken into account when a site is evaluated for the construction of a school, and appropriate measures are incorporated during the design phase.

Carbon emission

Curro is committed to integrating climate-related issues with its business strategy, and submitted the company's first climate-change response to CDP in 2019.

Energy usage

Energy-efficient lighting and motion sensors have been introduced at all schools. In 2009 Curro decided to use terminals in its computer laboratories and not personal computers or laptops.

Water

Schools have installed or are in the process of installing a water-measuring device.

Carbon emissions

The submission to CDP included establishing a baseline carbon footprint in 2018. Curro set various carbon-related targets and established an environmental, social and corporate governance (ESG) programme to identify and mitigate risks.

Energy usage

This contributed to a material reduction in power consumption. Efforts continue to improve electricity consumption.

Water

The information will be used to carry out risk assessments to identify and quantify water-related risks. Water-harvesting and storage facilities are installed or are being installed at their schools. This water will be used for toilet flushing, watering fields/gardens and cleaning.

Carbon emissions

Curro expects a maximum increase of 12% in tons of CO₂ (tCO₂) year-on-year until 2020, with a plateau in tCO₂ by 2021, and a similar or reduced emission output by 2022.

Baseline metrics were defined to assess future progress in relation to the baseline targets. These metrics include tCO₂ per learner, and tCO₂ per m², which account for both future learner growth and possible greenfield or acquisition developments. Reporting on these targets will be supported by the installation of smart utility meters on all school campuses, the use of digital platforms to manage and assess business travel, the continued development and implementation of energy-efficient and low-carbon energy solutions, and the continued use of electronic devices in classrooms.

In 2019, Curro was one of the first companies in southern Africa to conduct a risk-rating review with an external rating agency, linked to a green loan. An annual review will be conducted to assess progress linked to ESG-related risks.

ORGANISATIONAL OVERVIEW

2.9 Stakeholder engagement

Curro's sustainability in the long term is significantly affected by the quality of its relationships with its stakeholders, and therefore the group focuses on active engagement, enabling them to understand concerns and consider input. It addresses these concerns and input as comprehensively as possible. The tables below provide an overview of the stakeholders with whom Curro engages, as well as input into Curro's responses to the most pertinent issues that arise.

Stakeholders

Clients (learners and parents)	Daily engagement takes place between teachers and learners, who are regarded as the primary stakeholders in the group. This is done by utilising various teaching methods and communication programmes, all in line with 21st-century teaching and learning methodologies. In addition, a corporate communication programme exists for parents and learners, which includes updates that are school-specific and directly related to the Curro curriculum. In addition, schools are encouraged to establish parent advisory committees (PACs). These committees ensure the maximum engagement between the group and its learners, parents and/or guardians (collectively referred to as Curro's clients).
Regulators	Engagement with regulators takes place in the formalised education management structure. Dedicated Curro staff communicate and engage with the regulators, including the Department of Education, Umalusi (the council for quality assurance in education and training), town councils and municipalities.
Investors and funders	The chief executive officer (CEO) and chief financial officer (CFO) engage continuously with investment communities and shareholders. Formal engagements take place annually and a programme exists in terms of which investors and funders are invited to visit schools on a prearranged basis.
Employees	Engagement with this stakeholder group is covered on page 38 of this report under human capital.
Communities	Curro actively engages with and supports the communities in which it operates. This is evidenced by its contribution of R117 million to corporate social investment and bursaries for 2019. The Ruta Sechaba Foundation continues to grow from strength to strength. Refer to page 33 for information on Ruta Sechaba.

Current issues and responses

Areas of interest	Stakeholder	Curro's response
What is Curro's expansion strategy?	Shareholders and analysts	Potential for expansion in South Africa remains given the demand for quality education and Curro's ability to provide this at value-for-money prices. Curro's primary focus will be on filling existing school capacity. Curro will reach its peak debt level over the next 12 months and will thereafter increase the interest service cover ratio.

Areas of interest	Stakeholder	Curro's response
		Curro's approach regarding acquisitions will be centred on attractive multiples and investing capital in the business (existing schools) for expansion. Curro understands the fundamentals of South Africa the best from business, economic and cultural perspectives, which enables it to make a success of new acquisitions.
Does Curro comply with the prerequisites of the Curriculum Assessment Policy Statements (CAPS) on teacher/learner ratios and the criteria of sound school governance, leadership and management?	Umalusi	Curro has a close relationship with Umalusi and the concept of excellence in schools is non-negotiable. Curro strives to attain all its objectives, has its schools accredited with Umalusi, and reports to Umalusi on areas that still need to be developed in the group's newly built schools. Umalusi visited a number of Curro's schools in 2019 and no material deficiencies were identified. The following schools obtained full accreditation from Umalusi in 2019: <ul style="list-style-type: none"> • Curro Secunda • Curro Academy Mahikeng Primary • Curro Academy Mahikeng Secondary • Meridian Cosmo City
Is the general quality of Curro's infrastructure in line with industrial standards?	Municipalities	Curro's professional infrastructure development team meets regularly with the local municipalities to discuss the impact of its development of campuses on the local environment, and mutual planning takes place on a continuous basis. This attitude is reinforced by complying with local authorities' building requirements (including approved building plans) and ensuring that occupancy certificates are in place for all Curro buildings. Curro is committed to integrating climate-related issues with its business strategy. In response to the carbon disclosure project (CDP), Curro intends to report on its carbon-emission forecast by installing smart utility meters at all campuses.
What is Curro's policy regarding a suitable debt/equity ratio?	Funders	The group has no specific debt/equity target. The current debt/equity ratio is 67% debt per 100% equity. As peak debt should be reached over the next 12 months, the ratio should not materially exceed current levels and then start reducing.
Complying with key covenants: <ul style="list-style-type: none"> • Interest service coverage ratio of 1.75 times (excluding Meridian debt) • Loan to value ratio of at least 1.3 times 	Funders	As at 31 December 2019: <ul style="list-style-type: none"> • Curro's interest service coverage ratio stood at 2.7 times. • The loan to value ratio was 1.7 times.

ORGANISATIONAL OVERVIEW

2.9 Stakeholder engagement

Areas of interest	Stakeholder	Curro's response
Is my child receiving quality education?	Parents	<p>This area of interest should be addressed through the written curriculum that is taught by qualified teachers (accredited with the South African Council for Educators) who are continuously developed through a combination of Embury's Institute for Higher Education and the CCMD division, which is under the strong leadership of experienced teachers. Curro has a system of standardised testing throughout its schools to ensure aligned quality in educational delivery and to provide it with the opportunity to ensure excellence for all learners under its care.</p> <p>Along with offering an innovative and relevant curriculum, it also offers the rapidly increasing impact of Curro Create (focused on its arts and culture offering) and the introduction of Curro Sport in 2019, which is available to all learners from Grade 4.</p> <p>Various other measures, such as Curro's brand, its long-standing track record and its excellent matric results, also support confidence in its quality service offering.</p>
Are we receiving a written curriculum that is still relevant?	Learners	<p>Curro's CCMD division conducts ongoing research into curriculum innovation. Best practices are communicated to Curro employees regularly and they are trained to implement new written curricula.</p> <p>The new tech-focused school model, DigiEd, was launched in 2019 and provides a progressive curriculum focused on Mathematics, Science, Robotics and Coding – essential subjects for learners to operate in the fourth industrial revolution era. Three new DigiEd schools opened their doors in January 2020.</p> <p>To ensure relevance, Curro private colleges offer the NCV as an alternative to the NSC. The schools' focus during 2019 was on an NCV programme for Information Technology and Computer Sciences.</p>
What can Curro do to ensure a safe and stable working environment?	Teachers	<p>Curro has good security protocols that endeavour to keep its campuses safe. The group also protects its teachers' rights by means of service contracts, which are regulated by labour law. Furthermore, Curro believes in continuous professional development in order to enhance every employee's chances of getting promoted.</p>
Does Curro's supplier application process provide everyone with a fair chance?	Suppliers	<p>The group utilises four main contractors to build its schools. Every supplier in South Africa and abroad is welcome to approach Curro to be considered for future contracts. A rigorous tender process has been put in place to ensure fairness in contract allocation.</p>
Do all Curro schools comply with the prerequisites of local government?	Departments of education	<p>One may not operate an independent school if it is not registered with the local departments of education. These departments have specific criteria that need to be met and Curro adheres to these criteria. The process of registering an independent school takes time and in many cases the operator must first construct an appropriate building and appoint qualified teachers before the registration process can be concluded.</p>

Areas of interest	Stakeholder	Curro's response
Is the company committed to transformation?	Government	<p>Curro is committed to employing and developing a skills base that represents the demographic profile of its learner base, of which 73% was black and 27% was white for 2019. The company has an employment equity plan on which it reports annually. Refer to page 59 for employee statistics. The company has a social, ethics and transformation committee that oversees transformation in the organisation. The report from the social, ethics and transformation committee chairperson can be found on page 58 of this report.</p>
Is Curro JSE compliant?	JSE Limited	<p>Curro's corporate sponsor, PSG Capital, monitors its compliance regularly in order to ensure compliance with the JSE Listings Requirements. In accordance with the JSE Listings Requirements, the board submits its annual compliance certificate timeously.</p>
How does Curro protect its organisation from the communication of incorrect facts?	Media	<p>Curro supplies the media with written facts so that any doubt regarding the accuracy of reporting is minimised. Curro has an open relationship with the media and provides updates whenever it communicates financial and academic results.</p> <p>All other media enquiries are handled efficiently through a centralised email address (engage@curro.co.za), to which all media enquiries can be channelled for response.</p>
How does Curro keep its stakeholders informed?	All stakeholder groups	<p>The company believes in the transparent, concise and timely dissemination of relevant information to all stakeholders. The regulatory requirements regarding the dissemination of information are observed. In addition, reputational risks relating to published information regarding the business are managed and continuously reduced to ensure that the Curro image and brand are protected.</p>
What are Curro's policy and principles regarding remuneration?	Shareholders	<p>Curro has provided details regarding its remuneration policy and implementation report on pages 84 to 97.</p>
What will the future development pace of Curro be?	Shareholders and analysts	<p>In the process of achieving its 2013 aim of having 80 campuses in operation by 2021, Curro expanded from 68 campuses at December 2019 to 76 campuses in January 2020.</p> <p>During 2019 it developed two Curro Academy campuses at The Blyde in Pretoria East and at Mbombela/Nelspruit. Two DigiEd campuses (Curro Delft and Curro Jewel City) were developed in 2019, as was a joint campus with both a DigiEd and a Curro private college in Midrand.</p> <p>Curro also acquired three schools in 2019 (Creston College, Sagewood School and Land of Oz Nursery school) and The King's School Linbro Park in January 2020.</p> <p>Based on the current landscape, Curro will prioritise increasing capacity utilisation at existing schools. Judicious greenfields in high-growing areas and attractive acquisitions will still be considered albeit at a slower pace than in the past. There is no specific set target on the number of new campuses for the foreseeable future.</p>
Why are Curro's clients coming to them?	Parents	<p>Curro's clients are looking for quality, balanced education by a recognised brand in a safe and secure environment that is convenient overall at a value-for-money price.</p>

ORGANISATIONAL OVERVIEW

2.9 Stakeholder engagement

Areas of interest	Stakeholder	Curro's response
How sustainable are school-fee increases?	Shareholders, analysts and parents	Over the long term, school fees will trend towards inflation. Fees are, however, considered individually on a per school and per grade basis, depending on the facilities and investments made, competition and absolute levels of current fees. Curro believes that on average a short- to medium-term margin of 2% between inflation and school-fee increases can be maintained.
Will Curro achieve an acceptable return on capital invested?	Shareholders and analysts	Establishing a school that takes between five and 10 years to reach a utilisation of more than 80% requires substantial capital investment. At maturity Curro makes an average IRR of between 20% and 25%, or a yield (EBIT on replacement value) of 15% to 20%. Curro expects its return on equity to improve from 5% in 2019 to 15% by 2025.
What is Curro's debt structure?	Shareholders and analysts	<p>On a trailing debt/EBITDA ratio, Curro was at 5.3 times debt/EBITDA at end December 2019, which seems high if taken as a gross measure. The majority of the debt is, however, incurred at the end of a year to expand campuses for which cash will only be generated in the following year. For 2018, when debt/EBITDA was at 4.5 on a historic basis, it reduced to 4.1 times on a forward-looking basis, taking the EBITDA generated in 2019 on the net debt at the end of 2018. Furthermore, Curro does not incur a significant cash outflow for tax payments as its buildings qualify for a 5% wear-and-tear allowance.</p> <p>With a predictable business model, learner numbers in January give a fairly accurate indication of cash flows for the year, so that capital investments can be carefully considered for that year. If EBITDA were ever to disappoint significantly, Curro needs to invest only between R30 and R50 million in replacement capex, using the cash-flow generation to reduce debt.</p>
What is the size of the land bank?	Shareholders and analysts	Curro invested in land to the value of R24 million as at end 2019.
What is the status on Meridian?	Shareholders and analysts	<p>Historically, Meridian has been affected by a decline in learner numbers at Northern Academy (which represents about 45% of total learner numbers) and slower growth in other rural schools like Meridian Karino and Meridian Newcastle.</p> <p>With the implementation of various strategies – both financial and operational – Meridian saw an increase in EBITDA margin from 17% in 2018 to 19% in 2019. Between December 2019 and January 2020, Meridian learner numbers had increased by 5%. This is encouraging for future growth and improved returns.</p>
How does Curro address the risk of communicable diseases?	All employees and learners	Curro recognises the serious impact of any communicable disease. The company provides detailed communication to all stakeholders to inform and educate them on how to prevent anyone from contracting the disease (both internally and externally on relevant social media platforms). Contingency plans are in place to isolate and prevent further spread should a school be affected, and this would be done in collaboration with the South African Department of Health.



#Learners2Leaders: Curro Midrand - Sagewood campus



ACCOUNTABILITY

Curro's primary leadership responsibility rests with its board of directors. For detailed information on the board's role, responsibilities and powers, and the length of service, refer to pages 74 to 83.

ACCOUNTABILITY

3.1 Board of directors

SL (Santie) Botha[◇]

BEcon; BEcon (Hons)

Santie currently serves as non-executive director on the board of Telkom Ltd. She is also the chairperson of Famous Brands Ltd, Mercantile Bank Ltd and Capitec Bank Holdings Ltd. Santie has a wide range of knowledge and experience in different sectors, ranging from fast-moving consumer goods (FMCG), where she started her career in Unilever and worked in various roles in both Durban and London, UK (1987 to 1996), and banking (Executive Director: ABSA Bank, 1996 to 2003) to telecommunications (Executive Director: MTN, 2003 to 2010). Santie was named Business Woman of the Year 2010. She was the Chancellor of Nelson Mandela University from 2011 to 2017.

AJF (Andries) Greyling^Δ

CA(SA)

Andries has been Curro's CEO since 1 July 2017. He started his career as audit manager at KPMG Inc. and subsequently held financial positions at several companies. In 2000, he joined the International Colleges Group of Media24 Ltd, which included brands such as INTEC and Damelin, as financial director, and was subsequently promoted to financial director of Educor (Pty) Ltd (Educor). In 2006, Educor bought a 26% stake in Curro. Andries, together with Curro founder Dr Chris van der Merwe, created the business plan upon which Curro's current growth strategy is based. In 2007, when Naspers Ltd disposed of Educor, including its interest in Curro, Andries acquired a shareholding in Curro and joined the company as financial director. In 2011, when Bernardt van der Linde was appointed as the financial director of Curro, Andries's role changed to that of chief operating officer. He was appointed CEO in 2017.

ZL (KK) Combi*

Diploma in Public Relations; member of the Institute of Directors in Southern Africa

KK serves as an independent non-executive director of various listed and unlisted companies. He is the chairperson of the PSG Group Ltd. He has broad knowledge and experience of business in different industries and has been active as an entrepreneur since 1995.

ZN (Nan) Mankai*

CA(SA); MBA

Nan was appointed as an independent non-executive director to the Curro board from 10 August 2018. She currently chairs the Curro audit and risk committee. Nan is at present the principal investment officer of Bigen Africa Services (Pty) Ltd, where she served on the audit committee and as chairperson of the social and ethics committee until recently. Nan's experience has been in private equity and investment management, having worked for private equity funds and built on-balance sheet portfolios for corporates. Her recent experience includes involvement in project finance and infrastructure investment opportunities and overseeing the internal audit function. Nan has extensive experience in serving on audit and social and ethics committees.

TBL (Tsholo) Molefe*

CTA; CA(SA)

Tsholo was appointed as an independent non-executive director to the Curro board from 1 May 2019. She currently serves as the group chief financial officer of Telkom SA SOC Ltd, where she also served as deputy group CFO and group chief risk officer. Tsholo has a solid understanding of the corporate world and of financial strategy management, financial management practices, risk and controls, and reporting requirements pertaining to various industries.

PJ (Piet) Mouton[§]

BCom (Mathematics)

Piet is the CEO of PSG Group Ltd and serves as a non-executive director on the boards of various of its investee companies, including Capitec Bank Holdings Ltd, PSG Konsult Ltd and Zeder Investments Ltd. He has served in the investment and financial services industries since 1999.

Prof. SWF (Sibongile) Muthwa*

BA (SW) (Fort Hare); BA (SW) Hons (Wits); MSc (SPPDC); PhD (London)

Sibongile has international business experience in the non-government, development and public sectors, and also in academia. Currently she is the Vice Chancellor of the Nelson Mandela University. Sibongile serves as a non-executive director of the University Sports Company (Pty) Ltd and is a commissioner of the Financial and Fiscal Commission. Between 2004 and 2010 Sibongile served as the director general of the Eastern Cape Provincial Government.

DM (Douglas) Ramaphosa*

MA (Social Sciences); Programme for Executive Development (Institute of Management Development)

Douglas has more than 25 years of business experience, is the chairperson of IRCA Global Southern Hemisphere, has served as group executive of corporate affairs at Altron, was CEO of Bytes Healthcare Solutions and managing director of Bytes Specialised Solutions. He worked at senior executive level for organisations like Transnet, ABSA, EnviroServe and Anglo American, served on the board of Eskom Enterprises, and was director and chairperson of Rotek Industries.

B (Bernardt) van der Linde^Δ

CA(SA); CFA

Bernardt was an audit manager at PricewaterhouseCoopers Inc, after which he joined *Finweek*. He joined PSG Group Ltd in 2007, where he was, inter alia, part of the executive team at Paladin (now PSG Alpha Investments). He joined Curro as CFO in 2011.

Dr CR (Chris) van der Merwe[§]

BPrim (Ed); MEd (cum laude); PhD in Education

Chris has extensive knowledge of and is highly experienced in the independent school sector. He founded Curro in 1998, and as chief executive officer he led the company to its listing on the JSE in 2011. As a result of his founding of Curro, Chris was one of the four finalists in the exceptional category of the EY World Entrepreneur Competition in 2013. In October 2017 Chris was named Business Leader of the Year by the Durbanville Chamber of Commerce. Chris is a non-executive director of Stadio Holdings, the tertiary-education component of the Curro business that was unbundled from Curro and was separately listed on the JSE on 3 October 2017.

Key:

[◇] Independent non-executive chairperson

* Independent non-executive director

^Δ Executive director

[§] Non-executive director



SL Botha



AJF Greyling



ZL Combi



ZN Mankai



TBL Molefe



PJ Mouton



Prof. SWF Muthwa



DM Ramaphosa



B van der Linde



Dr CR van der Merwe

A new dawn for education

In President Cyril Ramaphosa's State of the Nation Address to the country in 2019, one of his five goals was that our schools must have better educational results going forward. Every 10-year-old child must be able to read for meaning.

With the unexpected and unprecedented onslaught of the COVID-19 pandemic across the world in the early part of 2020, current efforts to achieve this important goal will be hampered. Such massive disruption as that being brought about by this pandemic will be felt more harshly on the continent of Africa due to longstanding poverty, poor public services, social issues and the fact that the bulk of African economies are growing at below required standards. In South Africa, the impact on our fragile economy will be costly and challenging for all the citizens of this country. Curro has fully aligned all its safety procedures with those prescribed by governments, departments of education and other authorities in every country in which it operates. We will ensure that every preventative measure is put in place to protect the health of our learners, our parents and our staff where possible.

During the past year, Curro had some notable successes while also facing several challenges in the educational sector. However, despite these challenges, Curro has proven that it can grow learner numbers and revenue in ever-changing times and will continue to do so by focusing on efficiencies, increasing the utilisation levels of the existing school infrastructure, and reducing capital investment to improve profitability for the coming year. Curro's strategic approach for the coming year will be focused on long-term sustainable growth. It will, however, also be agile and flexible in order to address the challenges posed by the COVID-19 pandemic and the financial impact that it will have on all our stakeholders.

On behalf of the board, I congratulate the Curro matric learners of 2019 on their excellent results in a year that saw an IEB pass rate of 99.5% for its Grade 12 learners. Woodhill College in Gauteng was Curro's top-achieving IEB academic school for 2019.

The pass rate at Curro's NSC schools was 92.4%, compared to the national average of 81.3%. The top-achieving academic NSC school for 2019 was Meridian Pinehurst in Durbanville.

Revenue increased by 18% from R2 496 million in 2018 to R2 944 million in 2019. Group EBITDA increased by 11% from R627 million to R693 million. The EBITDA margin decreased from 25% to 24% mainly as a result of the increase in the provision for bad debts. Recurring headline earnings decreased by 15% from R248 million to R212 million during the reporting period. Recurring headline earnings per share decreased by 15% from 60.1 cents to 51.0 cents.

During 2019, R1.3 billion was invested in the business. The capital was deployed in the following projects: Construction of four new campuses (five schools) to the value of R185 million – these campuses include Curro New Road (Gauteng), Curro Delft (Western Cape) and Curro Academies at The Blyde (Gauteng) and Mbombela (Mpumalanga). An investment of R949 million was made in the expansion of existing campuses, which included significant expansions at Curro Vanderbijlpark, Building Blocks, Curro Hillcrest and Curro Academy Pretoria. A total of R24 million was invested in land banking and R127 million in acquisitions.

Education and technology trends enable Curro to measure itself against those in the same arena and to keep abreast of the best international educational practises. This speaks to Curro's ongoing mission to produce leaders who will take the world forward with enhanced skills and through hard work, not just at school, but throughout their future careers.

Investment in technology has been a major focus of the group over many years. This investment has enabled Curro to be at the forefront of technological innovation and to adapt quickly and smoothly to meet challenges and opportunities as they arose during the year. The enhanced data centre provides continuity of business services, the implementation of various business systems, and enhancements and changes to internal support structures to streamline and speed up support to individuals and schools. Digital content and, very specifically, video content development and delivery were also key focus areas throughout the year. We are currently recruiting Curro learners with a specific interest in content development to assist the group with our content-creation efforts on a national basis.

While the education sector works to move in-classroom education into the virtual realm, Curro has been well-equipped in this department for a number of years already, with the group's online learning approach stemming from years of development. We will continue to focus on and invest in online education going forward.

The board believes Curro is well positioned for growth and will focus on increasing the utilisation of the existing school infrastructure capacity in the short to medium term. Curro will also reduce capital outlay on greenfield schools over the medium term. The long-term prospects of the company remain positive in terms of profitability and the contribution it will make towards the sustainable long-term development of South Africa and beyond.

The Curro board will continue to ensure that corporate governance and educational standards are maintained at the highest levels. Curro's commitment to safeguarding the health

and safety of its employees, customers and the community, along with minimising harm to the environment, remains a focus. Curro is committed to ensuring compliance with the amended Codes of Good Practice for Broad-Based Black Economic Empowerment, together with a progressive working environment and corporate culture that attract and retain the best talent and skills, while building the confidence of employees, prospective employees, shareholders and other stakeholders.

Andries Greyling, chief executive officer since July 2017, continues to provide the leadership and guidance in driving the group's commitments to its market, internally and externally. I thank Andries and his executive team for their leadership, commitment and dedication during the past year.

The board is pleased to welcome Tsholofelo (Tsholo) Molefe as an independent non-executive director to the Curro board and looks forward to her contribution. Tsholo is a CA(SA) and is the chief financial officer at Telkom SA SOC Ltd. Tsholo was also appointed as a member of the audit and risk committee with effect from 1 May 2019. Zandile Nangamso (Nan) Mankai, a member of the audit and risk committee, assumed the chairmanship of that committee from 1 May 2019.

I thank the board for their valued input and counsel during the past year. Also, to Curro's employees, clients, parents, learners and business partners: thank you for your support and commitment to the continued success of the group.



Santie Botha
Chairperson of the Board



**SANTIE
BOTH**

CHAIRPERSON OF THE BOARD

Education: stability in the face of upheaval

Education builds citizenship by producing the curriculums and type of citizens that countries need: those prepared to be accountable for their rights and responsibilities. Schools are key institutions in their communities, but the impact of schools depends on a range of social and economic measures that shape and influence the experience of those people.

There is no ideal solution that guarantees a positive outcome. The challenges experienced by a learner in a Curro Academy or Meridian school are vastly different from those of a Curro- or a Select-school learner. Sometimes the basic needs of a learner, including physical needs and security, must be addressed first.

Curriculums need to be planned with specific outcomes and with careful attention to every level of their progress if they are to have a positive impact on security and stability in the longer term.

The question is how countries may best provide educational opportunities in order to ensure that their benefits are spread as widely as possible, as Curro aims to do in southern Africa. Countries with overall higher levels of educational attainment tend to be more stable and there are links between education, employment and peaceful communities. Irresponsible investment in education is not enough to make the difference required – the quality and content of curriculums and education programmes need to be responsive to the context and needs of the relevant communities. This is our focus at Curro.

In 2019 learner numbers rose by 12% to 57 597 from 51 305 in 2018, and continue to grow in 2020. From the end of 2019 to the start of the 2020 period, learner numbers grew by 9% from 57 597 to 62 698. Strong growth was achieved in high school grades, with a significant rise in Grade 8 learner numbers, especially in Curro Academy schools.

As from 31 December 2016, Curro has grown the number of campuses from 48 to 76 as at 1 January 2020, with the number of schools growing from 114 to 175 – a growth of 28 campuses and 61 schools. As at the end of 2020, the capital investment in these campuses will be R2.8 billion (at the end of 2019 it was R2 billion).

Headline earnings and headline earnings per share increased by 2% from R248 million to R253 million and from 60.1 cents to 61.1 cents respectively over the same period.

We are the only independent school group with a formally structured culture and sports programme focusing on the holistic development of a learner. As we grow our sports and culture through initiatives such as the Curro Cup and Curro Create, quality will allow us to compete on an equal

basis with the best public schools, which will make Curro schools more attractive to parents.

In 2019 Curro IT focused on improving company-wide stability in infrastructure and the operating environment. Adoption figures of technology in the classroom have significantly improved with the focused efforts that were made to train and support our teachers. In 2020, with the countrywide lockdown, a variety of tools have been made available for teachers to connect and engage with groups of learners in real time to facilitate online lessons and ensure continuous curriculum delivery. Content will also be accessible in the form of recordings. The software also enables teachers to share videos, resources and tasks to aid learners in completing work in their own time – independently or in groups through the use of collaboration tools.

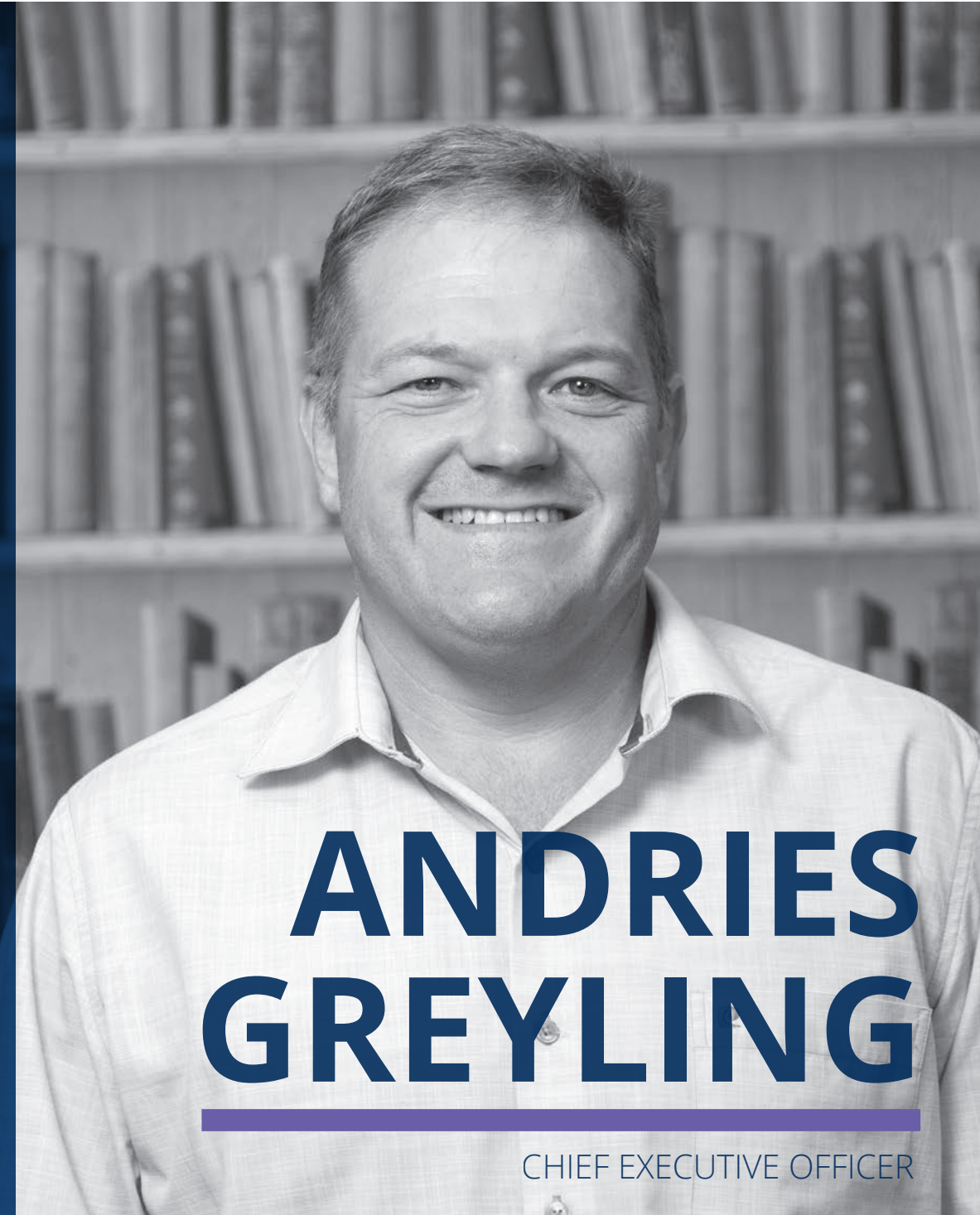
Virtual and remote learning strategies bring tremendous value to the education space during uncertain times such as these, and there is no doubt that it will firmly remain a significant part of the way we learn in the future.

The Ruta Sechaba Foundation was established in 2016 to fund the tuition of academically and financially deserving black learners at Curro and has increased its number of beneficiaries to over 500 learners for the 2020 academic year. In 2019, 50 Ruta Sechaba learners wrote the Grade 12 examination, compared to 27 in 2018. A total of 48 learners completed the exam successfully and 44 learners achieved a BD/university exemption in 2019 compared to 27 learners in 2018. Ruta Sechaba beneficiaries achieved ± 80 subject distinctions in the Grade 12 examination, and six of the 50 Ruta Sechaba Grade 12 beneficiaries in 2019 received awards at the Curro gala for outstanding performance.

Curro maintains its absolute commitment to our learners and their parents, and to providing education to as many of the people of southern Africa as it can. The company will continue its advances in technology and the curriculum to ensure that our curriculum is delivered and expanded and that our learners become the leaders of the future. We have developed our own technology and partnered with many of the industry's best service providers to meet our goals in this regard. We continue to maintain open dialogue with our stakeholders to ensure that we deliver education that they value.



Andries Greyling
Chief Executive Officer



ANDRIES GREYLING

CHIEF EXECUTIVE OFFICER

ACCOUNTABILITY

3.4 Strategic review and operating context

Curro operates in a market sector with substantial potential for growth and profitability, which at the same time presents significant barriers to entry. Taking advantage of the growth potential in the group's target market requires substantial investment and long-term planning. The business model is predictive and cash generative, with a strong annuity base. For more details regarding its competitive advantage and the market size and potential, refer to the Curro investment case section of this report on pages 34 and 35.

The risks relevant to the business range from reputational to curriculum, investment, financial, information technology, human resources, safety and local and international economic risks. The details on the likelihood of these risks occurring and actions taken to mitigate them are set out in the risk management review section of this report on pages 70 to 72.

Within this operating context, Curro has set a series of long-term strategic objectives and has attached key measurables to each of these objectives. The table below provides details of these objectives and of the initiatives in place to achieve them.

Theme	Priorities	Key performance indicators	Outcomes
Managing stakeholder value	<ul style="list-style-type: none"> Setting a firm business aim. Being a responsible corporate citizen. Creating a stable and inviting workplace. Communicating regularly with Curro's key clients. Generating attractive returns for shareholders. 	<ul style="list-style-type: none"> Establishing 80 campuses as Curro moves into 2021. Offering as many bursaries to talented, less-privileged learners as Curro's business model can sustain, and optimising the relationship with the Ruta Sechaba Foundation. Developing neat, inviting and cost-efficient school campuses. Releasing a variety of digital and other publications with messages relevant and suited to the needs of their key stakeholders. Establishing a PAC at every school. Increasing the share price and paying dividends. 	<ul style="list-style-type: none"> Curro started 2020 with 175 schools, compared to 166 schools at the end of 2019. This aligns with the goal of 80 campuses or 200 schools moving into 2021. In 2019, Curro offered school-level academic and sports bursaries to the value of R117 million. At the end of 2019, the Ruta Sechaba Foundation had 400 learners on scholarships and just over 500 scholarships have been awarded for the 2020 academic year. In 2019, four campuses (five schools) were developed and opened in 2020. A significant investment was also made in the further development and acquisition of existing campuses. Weekly, monthly and termly publications are distributed to stakeholders. Curro has generated a compound annual growth rate of 5% in its share price since 2011, the year it listed on the JSE. Curro paid a dividend of R42 million (10.2 cents per share) for the year ended December 2019.
Developing and maintaining a unique client service	<ul style="list-style-type: none"> Focusing on client relationships. Enhancing networking among parents, learners and teachers. Analysing annual client surveys. Providing appropriate supporting infrastructure to manage schools through information and technology systems. Effectively marketing and communicating Curro's product to build brand awareness and a customer-centric positioning. 	<ul style="list-style-type: none"> Introducing open-door policies from executive heads and teachers to enhance accessibility. Holding regular conferences throughout the year. Conducting an annual survey among parents, learners and staff. Formulating an information and technology strategy based on the strategic direction of the group. Promoting prominent advertising actions relevant to each individual campus (includes online marketing and awareness and other forms of marketing and advertising). 	<ul style="list-style-type: none"> Client service remains a primary priority throughout the various touchpoints in the group. In addition to the identified key performance indicators mentioned, a centralised contact point (engage@curro.co.za) provides further client service support. Comprehensive staff training is conducted regularly to ensure excellence in customer service. The main information and technology focus area remains the proactive technological support of the Curro business case. Stakeholder service level agreements are aligned with the business objectives. Curro further developed its in-house school management system and improved its data warehouse to support the management of the business.

Theme	Priorities	Key performance indicators	Outcomes
Driving sustainable growth	<ul style="list-style-type: none"> Basing Curro's model on the concept of affordable independent-school education. Securing enough school-zonederven for future developments. Setting realistic annual business targets. Conducting ongoing research regarding actionable acquisitions. Proactively securing sufficient financing. Attracting and retaining quality teachers and other key employees. 	<ul style="list-style-type: none"> Escalating school fees at 2% above consumer inflation per annum, taking the country's annual inflation rate and the global and local economy into consideration. Using capital investment and an effective marketing strategy to expand existing schools to their maximum designed capacity. Maintaining and developing Curro's two-tier approach: Curro schools at R5 000 per month on average and Curro Academies at R3 000 per month on average. Considering attractive acquisition opportunities. With consideration of the balance sheet, ensuring an appropriate funding strategy to fund this strategic objective. Ensuring an appropriate recruitment and reward strategy is in place. 	<ul style="list-style-type: none"> In 2019 Curro managed to ensure alignment with its business plan. Key performance indicators have been taken into consideration. Curro opened four new campuses. Capacity utilisation decreased to 52%. Three acquisitions were made in 2019 and one in January 2020. Curro obtained R800 million of funding in 2019.
Transformation management	<ul style="list-style-type: none"> Ensuring that all Curro schools strive to become demographically representative. 	<ul style="list-style-type: none"> Being actively involved at school level to drive Curro's transformation agenda. Delivering on a B-BBEE strategy and plan. Delivering on an approved employment equity plan. Being closely aligned with the public sector. Employing mechanisms at schools to promote a culture of open feedback, and performing regular climate studies among employees at schools. 	<ul style="list-style-type: none"> Curro understands that education plays an important role in empowering individuals and redressing the inequalities of the past. As part of this commitment, in 2016 Curro approved the appointment of a transformation committee that advises and provides the board with appropriate recommendations via the social, ethics and human resources committee. The transformation committee was active in 2018, managing its plan with set targets with the 2020 transformation vision in mind. In 2019 the transformation committee was fully incorporated into the social and ethics committee, and the new committee is now called the social, ethics and transformation committee. Refer to page 77 for more on the group's transformation journey. Curro has established diversity and transformation committees to drive initiatives at school level. These committees meet on a termly basis and all chairpersons attended a one-day workshop to equip them with the necessary skills to successfully steer the committees. All committees are required to submit a transformation and diversity plan that outlines annual goals. These goals are assessed every year and solutions on how to remedy goals that may not have been achieved are put in place for the following year. Some initiatives conducted by schools in 2019 include offering master classes at which speakers are invited to talk to learners, parents and teachers on various issues that may be affecting the school and that are specific to diversity and transformation.

3.4 Strategic review and operating context

Theme	Priorities	Key performance indicators	Outcomes
Curriculum innovation	<ul style="list-style-type: none"> Conducting ongoing research and development to pursue best practices and to keep Curro's service competitive. 	<ul style="list-style-type: none"> Ensuring that the CCMD division remains focused on literacy development, coding activities, tablet research, further development of Curro's IT curricula, systemic testing of systems, Mathematics teaching methodologies, Science and Technology education, Engineering, and Entrepreneurship as subjects. 	<ul style="list-style-type: none"> Several key strategic initiatives were undertaken to ensure aligned quality in curriculum delivery throughout the group. This included the implementation of standardised testing in primary and high schools. The introduction of Curro Sport and the expansion of Curro Create during 2019 align with the strategy of offering a curriculum that is well-balanced and develops the whole child.

Transformation journey

Curro remains committed to transformation as a critical business practice to ensure sustainability and to make a meaningful contribution to the country. We continue to make good progress in this regard through targeted programmes for staff and learners that continued throughout the financial year.

Our focus remains on the improvement of employment equity targets, with the group committed to diversity and the need for employees to be representative of South African demographics.

A B-BBEE audit was completed pursuant to section 13G(2) of the Broad-Based Black Economic Empowerment Act. Curro has achieved a level 8 compliance and its B-BBEE compliance certificate has been published and is available on the company's website at www.curro.co.za. An announcement has been released on the Stock Exchange News Service of the JSE ('SENS') in accordance with the JSE Listing Requirements.

For more information, visit www.curro.co.za.

Report of the social, ethics and transformation committee

The social, ethics and transformation committee is established in terms of section 72(5) of the Companies Act and addresses issues as outlined in regulation 43 of the Companies Regulations, 2011, and those highlighted in King IV. The committee acts under the requirements of the Act and a charter that is approved by the board.

The committee comprises two independent non-executive directors and the chief financial officer, and its meetings are attended by appropriate members of management by invitation. The committee is chaired by an independent non-executive director.

During the year under review the committee met on four occasions.

During the course of the year, the committee considered and approved the company's human resources strategy and relevant reports, reviewed and considered the B-BBEE codes and the levels and targets of compliance, and addressed the company's talent and skills development initiatives. The company's ongoing transformation strategy was also considered and approved. The board approved the transformation charter, which the committee had recommended to it for approval. The King IV disclosure register was considered and approved by the committee and published on Curro's website. The company's approach to corporate social responsibility issues, its community outreach projects and relevant communication strategies were considered. The work of the Ruta Sechaba Foundation was monitored and appropriate improvements recommended. These issues are reported upon elsewhere in this integrated annual report.

An outline of the work performed by the committee will be provided to shareholders at the forthcoming AGM.



Prof. SWF Muthwa
Chairperson: Social, ethics and transformation committee

Employee statistics as at 31 December 2019

	Race						
	Black		White		Total		
	M	F	M	F	M	F	
Executive	2	1	7	1	9	2	11
Senior management	17	15	81	53	98	68	166
Middle management	26	65	86	273	112	338	450
Total management	45	81	174	327	219	408	627
Employee category %	7.2	12.9	27.8	52.2	34.9	65.1	100.0
Total management %	5.4	4.0	29.4	12.6	15.3	8.8	10.3
Skilled, technically and academically qualified employees	252	702	372	1 982	624	2 684	3 308
Semi-skilled and discretionary decision-making employees	213	917	43	287	256	1 204	1 460
Unskilled and defined decision-making employees	330	339	3	9	333	348	681
Total non-management	795	1 958	418	2 278	1 213	4 236	5 449
Employee category %	14.6	35.9	7.7	41.8	22.3	77.7	100.0
Total non-management %	94.6	96.0	70.6	87.4	84.7	91.2	89.7
Total employees	840	2 039	592	2 605	1 432	4 644	6 076
Total employees %	13.8	33.6	9.7	42.9	23.6	76.4	100.0

Employee statistics as at 31 December 2018

	Race						
	Black		White		Total		
	M	F	M	F	M	F	
Executive	2	1	7	1	9	2	11
Senior management	9	15	75	46	84	61	145
Middle management	20	38	79	266	99	304	403
Total management	31	54	161	313	192	367	559
Employee category %	5.5	9.7	28.8	56.0	34.3	65.7	100.0
Total management %	0.6	1.0	2.9	5.6	3.4	6.5	9.9
Skilled, technically and academically qualified employees	202	571	323	1 912	525	2 483	3 008
Semi-skilled and discretionary decision-making employees	194	869	47	255	241	1 124	1 365
Unskilled and defined decision-making employees	319	364	2	11	321	375	696
Total non-management	715	1 804	372	2 178	1 087	3 982	5 069
Employee category %	14.1	35.6	7.3	43.0	21.4	78.6	100.0
Total non-management %	12.7	32.1	6.6	38.7	19.3	70.8	90.1
Total employees	746	1 858	533	2 491	1 279	4 349	5 628
Total employees %	13.3	33.0	9.5	44.3	22.7	77.3	100.0

Notes:
M = Male
F = Female

ACCOUNTABILITY

3.5 Financial review

Items that are significant to the group's operations in 2019:

- Revenue of R2.9 billion represents an increase of 18%.
- Increase in discounts and bad debts had a combined negative effect of 2.7% on turnover.
- Refinanced R850 million with maturity in September 2020 to December 2024. The average cost of funding was reduced.
- Growth in total learner numbers. At the start of the 2020 academic year learner numbers were 62 698.
- A dividend of 10.2 cps was paid.

Key statistics

	2015	2016	2017	2018	% change '18-'19	2019	5-year CAGR
Revenue (R million)	1 384	1 714	2 099	2 496	18%	2 944	21%
Schools' EBITDA (R million)	382	487	594	772	13%	873	23%
EBITDA (R million)	292	377	472	627	11%	693	24%
EBITDA margin (%)	21.1	22.0	22.5	25.1		23.5	3%
Net interest expense (R million)	91	70	78	138	76%	243	28%
Recurring headline earnings – continuing ops (R million)	100	162	201	248	(15%)	212	21%
Recurring HEPS – continuing ops (cents)	28.3	41.8	49	60.1	(15%)	51.0	16%
Capital investment (R million)	1 010	1 486	1 136	1 373	(6%)	1 285	6%

Simplified income statement (recurring basis)

R million	2015	2016	2017	2018	% change '18-'19	2019	5-year CAGR
Net adjusted revenue*	1 340	1 705	2 080	2 474	17%	2 891	21%
Expenses	(992)	(1 204)	(1 449)	(1 702)	19%	(2 018)	19%
Schools' EBITDAR	348	500	631	772	13%	873	26%
Head office expenses	(83)	(110)	(121)	(145)	20%	(174)	20%
EBITDAR	265	390	510	627	11%	699	27%
Depreciation	(84)	(106)	(131)	(154)	23%	(189)	22%
Adjusted interest expenses**	(91)	(70)	(78)	(140)	59%	(223)	25%
PBT	90	214	301	333	(14%)	287	34%
Tax	(23)	(45)	(75)	(91)	(16%)	(76)	35%
PAT	67	169	226	242	(13%)	211	33%
Minorities	6	4	11	6	(83%)	1	
Attributable earnings	73	173	237	248	(15%)	212	31%

*Net of bad debts and collection costs

**Adjusted for Meridian junior debt

Key drivers for performance

Income	2015	2016	2017	2018	% change '18-'19	2019	5-year CAGR
Gross number of learners	35 148	42 343	45 870	51 305	12%	57 597	13%
Effective net number of learners*	32 463	39 102	42 172	47 467	8%	51 490	12%
Gross effective school fees (R million)	1 216	1 575	1 941	2 338	21%	2 830	24%
Discounts (R million)	(86)	(108)	(137)	(150)	53%	(230)	28%
Net bad debts and collection costs (R million)	(5)	(10)	(17)	(22)	142%	(53)	77%
Net school fees (R million)	1 124	1 457	1 788	2 166	18%	2 547	23%
Other income (R million)	216	248	293	308	12%	344	12%
Net adjusted revenue (R million)	1 340	1 705	2 080	2 474	17%	2 891	21%

* After effect of discounts and bad debts

Key measures

	2015	2016	2017	2018	% change '18-'19	2019	5-year CAGR
Gross average school fees per learner**	34 529	38 286	42 373	46 104	7.7%	49 670	9.5%
YOY increase in gross average school fees		10.9%	10.7%	8.8%		7.7%	
Net average school fees per learner	31 932	35 409	39 019	42 715	4.2%	44 529	8.7%
Net adjusted average revenue per learner	38 128	40 263	45 353	48 229	4.8%	50 525	7.3%
Discounts and bad debts as % of school fees	7.6%	7.7%	8.1%	7.5%		10.0%	
Bad debts and collection costs as % of revenue	0.4%	0.6%	0.8%	0.9%		1.8%	

** Based on average learners for the year

Other income (R million)

	2015	2016	2017	2018	% change '18-'19	2019	5-year CAGR
Other school services	129	143	159	180	17%	211	13%
Enrolment fees	38	41	45	45	9%	49	7%
Other	49	64	89	83	1%	84	14%
Total	216	248	293	308	12%	344	12%

ACCOUNTABILITY

3.5 Financial review

Learner numbers

	2015	2016	2017	2018	YOY	2019	YOY	2020	CAGR
Curro and Curro Select	23 638	29 675	31 471	34 870	11%	38 588	6%	40 822	12%
Curro Castle and assisted learning	572	760	914	1 278	20%	1 535	(2%)	1 497	21%
Curro Academy	990	2 110	3 810	5 844	42%	8 281	30%	10 758	61%
Meridian	9 948	9 798	9 675	9 313	(1%)	9 193	5%	9 621	(1%)
	35 148	42 343	45 870	51 305	12%	57 597	9%	62 698	12%

The recent growth in learner numbers is still dominated by the growth in Academy learners. The Curro and Select schools experienced 3% of growth from 2018 to 2019 due to acquisitions. The growth from 2019 to 2020 is predominantly organic growth.

Fee increase

School fee increases are considered for each school on a grade-by-grade basis and depend, inter alia, on the current level of fees, the demand for the school and the facilities provided.

Average revenue per learner is determined mainly by school fee increases, but is also affected by learner numbers on a per school per grade basis, as there are different school fees applicable to different grades. The higher proportionate growth in Curro Academy learners who pay lower fees decreases the average growth in school fees.

For 2018 to 2019 the school fee increases ranged from 5.6% to 11.6%, with a constant learner-based weighted average of 9.0%. In most traditional and Select schools the tablet fees applicable from Grade 4 to Grade 12 were incorporated into the school fees, which had an effect of approximately 1.5%. The preschool fees were mostly adjusted at inflation.

For 2019 to 2020 the median school fee increase was 8%, with the average fee increase at around 7%. Maximum school fee increases for certain grades at certain schools were around 12%, while three schools implemented an average reduction in school fees.

Bursaries, discounts and bad debts (learner retention)

A deliberate focus was to retain learners, especially in non-entry grades, and this resulted in an increase in discounts and bad debts.

Discounts

The total discount expense is made up of 45% granted to Curro employees' children attending Curro schools, and 25% granted to learners with merit bursaries for excellence in academic work, and for sport and culture. Seven percent applies to sibling discounts. Short-term financial assistance is available, taking into consideration various factors.

Bad debts

Bad debts as percentage of adjusted revenue increased from 0.9% to 1.8%. This was due to the increase in accounts receivable.

Accounts receivable (R million)	2015	2016	2017	2018	% change '18-'19	2019	5-year CAGR
Gross balance*	34	44	75	121	106%	249	65%
Provision*	(9)	(11)	(16)	(32)	115%	(69)	66%
Net accounts receivable	25	33	59	89	97%	180	64%
Provision as % of gross balance	26%	25%	21%	26%		28%	

*Figures for 2015, 2016 and 2017 had been adjusted to reflect impact of IFRS 9 had it been implemented in those years.

Other income

Other income comprises boarding fees, aftercare income, bus income and for recovered expenses. There has been a satisfactory increase in EBITDA margins, especially for the developed campuses.



#Learners2Leaders: Sharonlea

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3.5 Financial review

J-Curve table

The developed vintages of 2013 and 2016 to 2018, which are concentrated in Gauteng and Cape Town and are predominantly English-only schools, prove the potential of schools in selected urban locations as opposed to rural locations.

On a portfolio basis a 40% EBITDAR should be reached. While certain vintages may never reach this level, other vintages should outperform that target.

The built capacity is based on the current number of classrooms multiplied by the practical capacity for those classrooms (i.e. realistic occupation and not maximum occupation). For Curro Select and traditional schools the practical capacity was based on 23 learners, and for Academy and Meridian schools on 28 learners. The eventual capacity is based on the current plus additional possible classrooms on the campus. In certain instances the eventual capacity will probably not be met (for example, Mossel Bay, Hermanus, Heuvelkruin). Eventual capacities may therefore be reduced for these campuses in the future.

In order to reach the eventual capacity, additional capital spend of R850 million in present value is required on classrooms. In addition to the spend on classrooms, there may be other capital improvements of R650 million, which may include swimming pools, synthetic sports pitches, halls and auditoriums, and pavilions.

Investment returns

The yield is calculated by measuring earnings before interest and tax ('EBIT') over revalued fixed assets (at the beginning of the year). Fixed assets are revalued by increasing the net book value of the assets by building inflation (of 7%) since the inception of the school.

	2019			2017			2018			2019		
	Campuses	EBITDAR	Margin	Yield	EBITDAR	Margin	Yield	EBITDAR	Margin	Yield	Eventual capacity utilised	
Curro and Select	44	520	31%	8.8%	669	34%	9.8%	725	32%	8.7%	55%	
Developed	27	298	30%	7.2%	390	34%	8.6%	424	33%	7.8%	50%	
Acquired	17	222	33%	11.8%	279	35%	12.2%	301	32%	10.1%	66%	
Curro Academy	11	25	22%	3.3%	52	27%	3.7%	82	28%	4.8%	35%	
Curro Castle	7	11	28%	5.4%	10	19%	1.9%	17	24%	3.5%	69%	
Meridian	7	54	21%	6.2%	57	21%	6.2%	64	22%	6.7%	69%	
Other	1	-	-	-	-	-	-	(6)	-	-	6%	
	70	610	29%	8.0%	788	32%	8.5%	881	30%	7.7%	52%	

Note: The numbers for prior years were restated to include intangible assets and goodwill at the time of the acquisition.

The decline in EBITDAR margins at Curro and Select schools had a detrimental effect on the yield. All other schools showed a pleasing increase in margin and yield.

The acquired schools were affected by lower yields at Aurora, Woodhill College and Grantleigh, recent capital investment at Windhoek, and at the two new acquisitions, Cooper College and Baobab Primary School.

Curro Academy schools were affected by the addition of new schools from a small base.

J-CURVE

The table below illustrates the J-curve effect from the newly established schools to more mature schools by age. All figures and amounts are as at 31 December 2019.

	Number Campuses at 31 Dec 2019	Learner numbers			EBITDA** (R million)			Growth		EBITDA margin		Built capacity		Eventual capacity	
		2018	2019	2019	2018	2019	2019	17/18	18/19	2018	2019	2018	2019	2018	2019
Developed schools	47	31 798	35 902	464	527	36%	14%	32%	30%	63%	65%	47%	46%		
2009 and before*	4	3 874	4 143	64	73	16%	14%	30%	31%	82%	85%	71%	74%		
2010	2	2 205	2 213	39	43	5%	10%	35%	36%	75%	75%	55%	55%		
2011	5	4 166	4 440	65	71	23%	9%	31%	31%	59%	63%	50%	53%		
2012	2	1 977	1 889	34	27	36%	(21%)	33%	26%	75%	72%	59%	56%		
2013	4	6 427	6 341	127	126	22%	(1%)	42%	39%	74%	73%	64%	63%		
2014	4	2 148	2 371	17	19	183%	12%	20%	20%	55%	57%	44%	48%		
2015	8	6 193	6 517	52	65	37%	25%	24%	26%	63%	65%	47%	49%		
2016	4	1 682	1 952	37	46	147%	24%	37%	37%	45%	50%	32%	37%		
2017	3	2 485	3 143	38	54	322%	42%	37%	38%	72%	91%	40%	51%		
2018	4	641	1 137	(9)	9	-	-	(37%)	19%	19%	34%	10%	18%		
2019	7	-	1 756	-	(6)	-	-	-	(11%)	-	44%	-	17%		
Acquired schools	23	19 507	21 695	324	354	21%	9%	33%	30%	76%	80%	68%	67%		
2012 and before	7	6 985	7 261	153	151	8%	(1%)	41%	36%	73%	79%	61%	64%		
2013***	2	3 837	3 670	30	30	(14%)	-	23%	23%	64%	74%	78%	74%		
2014	2	2 744	2 756	70	71	25%	1%	36%	35%	96%	85%	80%	80%		
2015 and 2016	4	4 142	4 492	47	58	34%	23%	24%	24%	100%	99%	74%	72%		
2018	3	1 799	1 899	24	39	-	63%	37%	36%	79%	83%	60%	63%		
2019	5	-	1 617	-	5	-	-	-	5%	-	57%	-	49%		
Property rental, royalties and other****				(16)	(8)										
Total	70	51 305	57 597	772	873	30%	13%	31%	30%	69%	70%	53%	52%		

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 and Academy schools.

** Schools' EBITDA.

*** Learner number losses at Northern Academy.

**** No rental expense subsequent to IFRS 16 adoption.

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3.5 Financial review

Expenses

Employee costs

	2015	2016	2017	2018	YOY	2019	CAGR
Teacher salaries (R million)				851	20%	1 022	
Other staff (R million)				347	24%	431	
	664	849	1 029	1 198	21%	1 453	22%
Head office (R million)	58	69	78	92	26%	116	19%
Total employee (R million)	722	918	1 107	1 290	22%	1 569	21%
Employee costs as % of revenue				52%		53%	
Employee costs as % of total expenses				69%		70%	
Number of teachers				2 945	10%	3 230	
Normalised number of teachers				2 882	12%	3 230	
Ave cost/teacher (R'000)				295	7.2%	316	
Number of employees	3 969	4 806	5 369	5 628	8%	6 076	11%
Normalised number of employees	3 969	4 806	5 369	5 487	12%	6 140	
Ave cost/employee (R'000)	182	191	206	235	8.7%	256	8.9%

Salaries are the largest expense for the business, at 70% of total expenses. Quality teachers in the classroom remain the bedrock of Curro's product. Teacher and support resources are assessed to ensure that any under-utilisation is limited as far as possible.

Salary increases amounted to 5% on average, but effectively the average salary increases were affected by the appointment of more high school teachers at higher average salaries, and by replacement teachers being appointed at a higher average cost. Among the non-teaching staff, low-wage employees received a higher than 5% increase, and at Northern Academy several functions were outsourced, which led to a decrease in the number of staff. This increased the average cost between 2018 and 2019 by about 1%.

Other expenses

	2015	2016	2017	2018	YOY	2019	CAGR
Non-discretionary	165	209	252	302	12%	338	20%
Facilities	101	120	145	177	17%	207	20%
Computer	16	22	24	29	14%	33	20%
Printing and stationery	20	23	27	28	7%	30	11%
Repairs and maintenance	9	12	14	17	24%	21	23%
Other non-discretionary	19	32	42	51	(7%)	47	25%
Discretionary	52	68	71	75	25%	96	17%
Sport and culture	11	14	14	16	51%	25	22%
Curriculum	17	24	25	26	(10%)	24	9%
Marketing	7	10	10	11	63%	18	28%
Other discretionary	17	20	22	22	29%	29	14%
Total	217	277	322	377	15%	434	19%
Other services expenses	72	74	81	94	13%	107	11%
	289	351	403	471	15%	541	17%

Expenses have been broadly grouped into three categories:

Non-discretionary

- Expenses are mostly overheads that have to be incurred and where discretion is limited.
- Facilities comprise rates and taxes and comprise about half of expenses. This has grown by more than inflation over the past five years.
- Computer expenses increase in line with enhancement in connectivity in order to improve processes and provide 21st-century learning and teaching.

Discretionary

- These are variable expenses and although discretionary, these expenses enhance the product.
- In 2019 expenses were directed to enhance extramural activities and marketing of the schools.

Other services expenses

- These are direct expenses relating to aftercare, boarding, bus and vehicle and recovered expenses.

Meridian business

The growth in learner numbers was affected by the economic downturn in South Africa. In addition, government subsidies were not received for a number of years, affecting the profitability of the business.

In 2018 the gearing of the business was addressed by replacing expensive debt with mezzanine debt, and senior debt with junior debt (seen as equity). The reduction in debt means that the Meridian business is now profitable and has also operationally performed the best in the past five years, taking the EBITDA margin into consideration.

	2016	2017	2018	2019
Learner numbers	9 798	9 675	9 313	9 193
Revenue (R million)	275	271	274	289
EBITDA (R million)	51	43	46	56
Depreciation (R million)	(12)	(11)	(10)	(10)
EBIT (R million)	39	33	36	47
Net interest (R million)	(61)	(67)	(68)	(26)*
PBT (R million)	(22)	(35)	(32)	18
Tax (R million)	6	10	15	(5)
Headline earnings (R million)	(16)	(25)	(17)	13
Equity and junior loans (R million)	40	8	413	413
Debt funding (R million)	564	620	249	230
Senior (JIBAR + 4%)	454	497	249	230
Mezzanine (JIBAR + 8%)	110	123	-	-
EBITDA margin	19%	16%	17%	19%

*This excludes the amortisation of junior funding.

Cash flow

R million	2016	2017	2018	2019	YOY
EBITDA	377	473	627	693	11%
Non-cash items	22	16	5	21	
Finance costs	(68)	(77)	(138)	(204)	
Taxation	(8)	(8)	(18)	(13)	
Working capital movements – operating	(4)	(27)	(10)	(23)	
Cash flow before capital movements	319	377	466	474	2%
Working capital movements – capital	85	(64)	(78)	(7)	
Cash from operating activities	404	313	388	467	20%
Replacement of movables	(35)	(40)	(30)	(44)	
Other movables	(149)	(168)	(126)	(197)	
Expansion at existing campuses	(387)	(444)	(434)	(708)	
Total investment – existing campuses	(571)	(652)	(590)	(949)	61%
New-school investments	(524)	(324)	(416)	(185)	
Land banking	(125)	(148)	(118)	(24)	
Acquisitions	(266)	(12)	(369)	(127)	
Investment activities relating to Stadio	(214)	(56)	120	-	
Cash to investing activities	(1 700)	(1 192)	(1 373)	(1 285)	(6%)
Cash generated from financing activities	1 771	744	506	741	46%
Net movement	475	(135)	(479)	(77)	
Opening balance	231	706	571	92	
Closing balance	706	571	92	15	

ACCOUNTABILITY

3.5 Financial review

The cash generation through EBITDA and non-cash items was mainly offset by an increase in interest expenses.

The low cash tax rate is the result of a 5% wear-and-tear allowance that is allowed by the Income Tax Act. Curro has a taxable loss of R524 million available for set-off against future taxable income.

Expansion at existing campuses included R279 million for significant extraordinary investments at existing campuses. Cash generated from operations has increased to the level that in 2019 this almost fully covered normal expansion capital expenditure at existing campuses.

Replacement capex is quite low, and mainly comprises computer equipment and vehicles, as other movable items do not require regular replacement. This means that the majority of the capital expenditure is discretionary and therefore can be altered on the basis of the expected cash generation for the year. This is established in January of a year when new learners are enrolled.

Investment in expansion projects for existing campuses will continue to be a significant item every year because campuses are built in phases. Additional classrooms and certain specialised sports facilities (swimming pools and synthetic turf sports fields) will only be built as the school learner numbers grow. Overall, the split between classrooms and other immovable investments on a campus is about 50:50.

In 2020 and beyond Curro will reduce capital expenditure to less than R800 million and may curb it significantly pending the effect of the COVID-19 pandemic.

Capital structure and debt

Debt measures	Dec 2017	Dec 2018	Dec 2019
Net debt (Dec) (R billion)			
Excluding Meridian	1.2	2.8	3.5
Including Meridian	1.8	2.6	3.7
Average net debt (R billion)			
Excluding Meridian	0.8	1.8	3.0
Including Meridian	1.4	2.2	3.2
Net debt/equity			
Excluding Meridian	24%	50%	66%
Including Meridian	36%	53%	68%
ISCR			
Excluding Meridian	5.6	4.1	2.5
Including Meridian	4.9	3.3	2.3
Ave net debt/EBITDA			
Excluding Meridian	1.4	3.1	4.6
Including Meridian	2.3	3.5	4.7

The Meridian debt is ring fenced from the Curro balance sheet and there is no recourse to Curro in case of default by Meridian. On a standalone basis Curro is low geared. This is the preferred position in the short term, as it will enable Curro to make use of opportunities.

The minimum covenants to be met with regard to most of Curro's debt are an interest service cover ratio of at least 1.75 times, and a loan ratio to the property of 1.3 times. Curro will aim to keep its ISCR above 2.5 times.

Average net debt/EBITDA is seen as more appropriate, as most of the debt is undertaken at the end of the year in order to pay for the increased capacity generated, which will lead to additional cash flow in the following year. See the table that follows for the history of EBITDA generation following the year of the debt incurred.

R million	2015	2016	2017	2018	% change '18-'19	2019	CAGR
Net debt	1 400	1 310	1 822	2 795	32%	3 692	27%
EBITDA	292	377	473	627	11%	693	24%
Debt/EBITDA (trailing)	4.8	3.5	3.9	4.5		5.3	
Adjusted Debt/EBITDA (trailing)*	3.7	2.7	3.0	3.5		4.2	
EBITDA (following year)	377	473	627	693			
Debt/EBITDA (forward)	3.7	2.8	2.9	4.0			

*Adjusted EBITDA grosses up EBITDA with 28% for the fact that Curro currently has limited cash tax expenses.

During the year Curro refinanced most of its long-term funding at lower rates.

- Curro refinanced R850 million of funding maturing in September 2020 with a five-year bullet, now maturing in December 2024.
- It continued with a 12-month R200 million revolving-credit facility maturing in November 2020.
- Curro will consider refinancing all debt within three years of maturity at lower rates.

Debt maturity profile

R million	2020	2021	2022	2023	2024
Meridian	19	21	23	26	30
Curro	77	39	1 092	488	1 691

Dividends

For the 2019 year, the board declared a dividend of 10.2 cents (2018: 12 cents), which is 20% of the recurring headline earnings. The payment of the dividend was based on the following premises:

- Growth in cash generation is expected to continue into the future.
- Gearing levels are at comfortable levels.
- The majority of earnings are retained for capital investment and debt reduction.

Key focus areas

The key focus areas pertaining to the finances of Curro are:

- Improving the debt-collection process in line with the overall intention to retain learners.
- Refining the learner/teacher model, specifically pertaining to the high school.
- Improving the collection and integration of data in order to improve decision-making.

Outlook

Curro is geared and financially in a strong position to expand its business by focusing on increasing capacity utilisation and improving efficiencies.

ACCOUNTABILITY

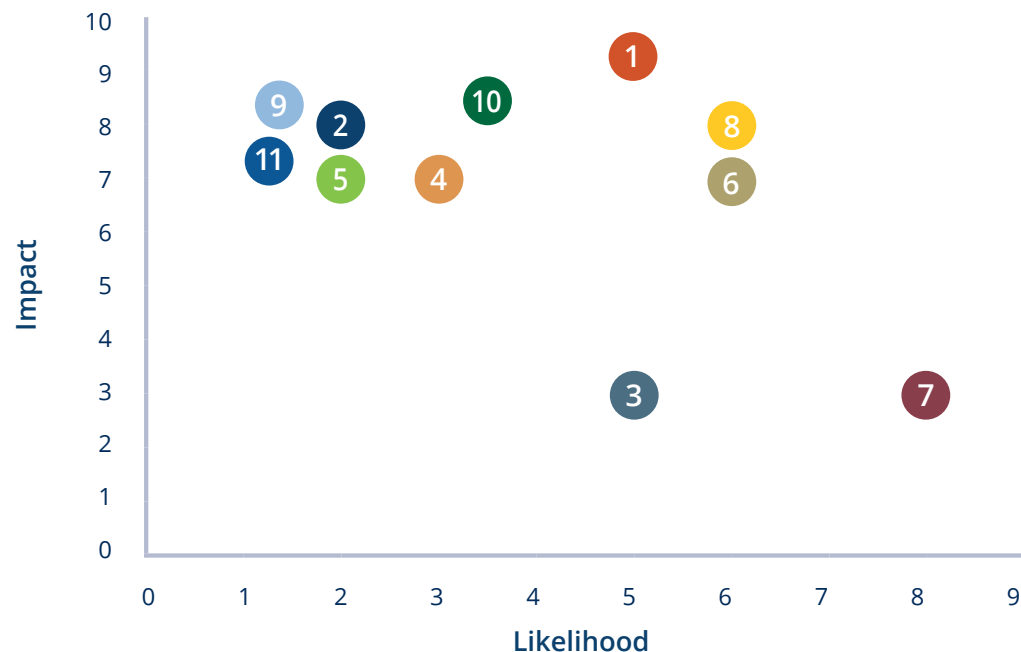
3.6 Risk management review

Risk management in the group focuses on identifying, assessing, managing and monitoring all known forms of risk across the group. While operating risk cannot be fully eliminated, the group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviours are applied and managed within predetermined procedures and constraints.

The board is responsible for Curro's risk management and has delegated the oversight role in this regard to the audit and risk committee. The board biannually approves any changes to the risk appetite of the group. The main potential risks are brand reputation management and economic risk. The board is satisfied that these and other identified risks are appropriately monitored and mitigated.

The board is of the opinion that the risk management system, together with the internal control environment, is effective and commensurate with the size and nature of the business. Compliance risk is monitored in the risk reporting that is submitted to the audit and risk committee and the board to ensure that appropriate action is taken by management to mitigate these risks. The monitoring and management of compliance with legislation and the compliance management of schools reside under the dedicated operational business managers, the curriculum management team for the primary and high schools (for compliance at school level), and the head of corporate development. For construction-related matters, the head of facilities reports on a regular basis to the executive committee, which is in charge of the monitoring and management process. The executive directors and senior managers are responsible for the compliance of the areas identified in the different departments of the business. There were no major non-compliance incidents resulting in significant fines or prosecution during the year ended 31 December 2019.

Risk matrix



The following table illustrates the group's top risks and how the group mitigates those risks (in no particular order):

Indicator	Risk	Responses
1	Reputational risk The most significant risk for Curro is damage to its reputation as a result of an event or a series of events.	Curro focuses on providing quality in all its domains. The main areas that may be affected by reputational risks are: <ul style="list-style-type: none"> • Safety and security • Academic quality • Stakeholder communication • Transformation Policies, procedures and the close monitoring of the results are a priority for the board and management of Curro. Active engagement to understand and address risks mitigates this risk further.
2	Curriculum risk Changes in the curriculum and the implementation thereof.	Curro schools have the benefit of curriculum experts who guide teachers in curriculum planning to maintain an ideal balance between the written and the received curriculum. This ideal balance motivates teachers, because they can invest more time in teaching than in curriculum planning. Curro has also complemented the required government curriculum with additional learning areas that are considered relevant international best practice.
3	Investment risk <ul style="list-style-type: none"> • A campus is not placed in an appropriate location and therefore does not grow as anticipated. • Overpaying for an acquisition. 	As a result of the demand for education, the market still offers significant growth opportunities. <ul style="list-style-type: none"> • Proper qualitative and quantitative due diligence, encompassing, inter alia, population trends, access routes and land assessments, ensures that the appropriate sites are selected. • Acquisitions are carefully considered to ensure that the area still offers growth opportunities, and that the ethos of the target market is aligned with that of Curro. • As the portfolio of schools expands, the impact of the incorrect location of a single school will decrease.
4	Financial risk <ul style="list-style-type: none"> • Accurate historical and forecasted management information. • Investment and expense management. 	The expanding network of schools has necessitated ongoing investment in systems that are continually developing. A robust budgeting process is followed for capital and expense management, which is continually monitored. A 10-year forward-growth plan is also maintained for each school, and performance is monitored against this. Management is incentivised to outperform the set targets.
5	Cash flow and funding risk The availability of financial resources to meet operational requirements and expand the network of schools.	Curro is a profitable company that can comfortably meet its day-to-day financial requirements. For expansion, Curro has over the past couple of years diversified its sources of funding from a single commercial bank to a combination of multiple commercial banking relationships. Funding is also received from development finance institutions. As a listed company, Curro has the further option to raise capital from the equity markets, which is supported by a strong shareholder of reference.
6	Information technology risk Curro is continually becoming more dependent on connected technology, which has exponentially increased with the introduction of handheld electronic devices for a large number of its learners. High availability of infrastructure, which includes the basic supply of electricity, is therefore imperative.	Curro has built a nationwide area network with industry leaders in the field. Access is well managed and controlled. Curro is implementing the best practice for the security risks of handheld electronic devices in order to further protect its information. Alternative forms of electricity are now a key priority in the design of new campuses and Curro has already addressed current sites that have experienced issues with power supply in the past.

Indicator	Risk	Responses
7	Human resources risk <ul style="list-style-type: none"> Recruiting the right skilled and experienced teachers. Competitive employee remuneration. Managing a growing workforce. 	<p>Curro believes it has a good employee value proposition that includes a good working environment, market-related remuneration packages (including medical aid and company contributions to retirement funds) and school fee discounts.</p> <p>All executive heads are experienced leaders. They receive human resource management support from Curro's contracted service provider and general managers.</p> <p>Curro places a lot of emphasis on the development of its teachers, who are developed through in-service training and through the Embury Institute for Higher Education. The Embury Institute for Higher Education also provides newly qualified teachers, whom Curro considers for appointment in its recruitment process.</p>
8	Economic risk Clients cannot afford to keep their children enrolled at the school.	<ul style="list-style-type: none"> In general, Curro's clients believe in the value of a good, quality education. Curro's experience is that parents' spend is reprioritised to ensure that their children receive a quality education. Curro aims to provide a value-for-money service, and market share is gained by parents looking to save money by trading down from premium brand schools. The Meridian and Curro Academy models have school fees that are affordable in terms of independent schooling norms and can be compared to those of government schools.
9	Safety risk Facilities and other factors in the environment that can be harmful to Curro's learners and employees.	<ul style="list-style-type: none"> Keeping safety in mind in the planning stages. Consulting with health and safety professionals and adhering to the authorities' building standards for public buildings, which will also include a fire certificate. Policies are in place requiring appropriate conduct, duty and care by employees. Schools are fenced off, with entrance controlled by security guards. Health and safety audits are conducted annually by independent service providers.
10	Water risk Water usage at schools and municipal water supply to schools that run dry.	<ul style="list-style-type: none"> Water-saving/-usage awareness campaigns are run at schools. Schools have installed or are in the process of installing water measurement devices. The information will be used to carry out risk assessments to identify and quantify water-related risks. Water-harvesting and -storage facilities are installed or in the process of being installed at their schools. This will be used for toilet flushing, fields/gardens and cleaning.
11	IT security and governance Increasing number of cyber attacks and continuous improvement of Curro's digital quotient.	<ul style="list-style-type: none"> As data and technology are becoming increasingly relevant to the business, IT management, including IT risk management and monitoring, is overseen by the IT audit and risk committee. Annual cyber and security audits were conducted and the necessary mechanisms implemented. Continuous efforts are made to assess and improve data security and governance. A number of training initiatives were conducted at all schools to ensure users are equipped with the necessary skills across digital platforms and to ensure responsible use of data and sharing of information.



3.7 Corporate governance

Curro and its board of directors are committed to maintaining the highest standards of corporate governance and strong ethical practices in all areas of the business. Curro believes that this creates sustainable shareholder value. The practices and policies that are applied adhere to these standards and are based on, inter alia, the Companies Act, the JSE Listings Requirements and King IV.

Curro's register relating to adherence to the principles set out in King IV is available at www.curro.co.za. Other sections of this annual integrated report refer to Curro's approach towards corporate governance.

This section of the annual integrated report focuses on reporting on material matters relating to the board of directors' governance and related dynamics, on Curro's corporate governance framework (inter alia, the delegation of powers and responsibilities, board committees, the executive committee), and the company secretary.

This report also includes reporting on relevant matters that took place subsequent to year-end.

Board leadership

The board, under the leadership of an independent non-executive chairperson, is accountable and responsible for the governance, performance and affairs of the group. The board has and retains effective control of the company and monitors and ensures that Curro operates ethically and responsibly, and conforms to the highest standards of corporate governance. It ensures that the internal controls – operational, financial, environmental and societal – are adequate and that the financial statements accurately and objectively reflect the group's business.

The board has an approved charter. The primary responsibilities of the board are to:

- Set the strategic intent and direction of Curro by approving Curro's strategy and that of the functional areas (inter alia, information and technology, marketing and communications, human resources, academic and the curriculum), and monitor performance against the achievement of the strategy.
- Review and approve annual and interim financial reports, budgets and business plans.
- Advise on corporate finance actions.
- Advise on stakeholder communication and governance issues, which include ethics management.
- Encourage equitable treatment of shareholders and strive to achieve the appropriate balance between its stakeholder groupings through a stakeholder-inclusive approach. In doing so, the board governs stakeholder management in a manner aimed at balancing the interests and legitimate needs and expectations of material stakeholders in the best interests of Curro.
- Make material investment, disinvestment and refinancing or restructuring decisions.

- Make recommendations to shareholders on non-executive directors' remuneration.
- Review and approve amendments to the share incentive scheme with the recommendation of the remuneration and nominations committee.
- Appoint new directors (executive and non-executive), taking diversity into account, and ensure the appropriate orientation and induction of new directors.
- Consider and approve the policy for gender and race diversity, including voluntary targets, and monitor progress against achieving the targets.
- Provide oversight on risk, information and technology, compliance, remuneration, assurance, quality and stakeholder relationships in a manner that supports the company in achieving its strategic objectives while taking into account its objective of being a responsible citizen.
- Define clear areas of responsibility at board and board committee level to ensure appropriately limited individual decision-making ability.
- Determine and approve the maximum borrowing limits and funding strategy from time to time.

The board believes it fulfilled its responsibilities during the 2019 financial year and continues its endeavours to lead Curro ethically and effectively towards enhancing Curro to continue to be seen as a responsible corporate citizen. Furthermore, the board is satisfied that the identified risks are appropriately monitored and mitigated (refer to pages 70 to 72), and that the risk management system, together with the internal control environment, is effective and commensurate with the size and nature of the business.

Composition of board, appointment process and induction

Appointments to the board are made in terms of a clear policy with respect to the recommendations that are submitted by fellow board members, with the input of other significant stakeholders after consideration by the remuneration and nominations committee. Appointments are made on the basis of the needs of the company and the set of skills, experience, knowledge, independence and diversity that such an appointee can contribute. The board has adopted and approved a policy on voluntary targets for race and gender diversity. These voluntary targets that were approved are:

- To ensure that 50% of non-executive directors are female by 2022. As at 31 December 2019 this was 50% (four out of eight non-executive directors).
- To ensure that 60% of non-executive directors are black by 2022. As at 31 December 2019 this was 62.5% (five out of eight directors).

All new appointments to the board are made in terms of a formal and transparent process and are considered to be a matter for the board as a whole. Nominations for the board

are considered by the remuneration and nominations committee, which makes recommendations to the board.

Curro has a fully functional board that leads and controls the company. The board members collectively represent diverse skills and demographics, have the depth of qualifications and knowledge and the experience necessary to ensure that effective leadership is provided to the group. The independence of the independent non-executive directors and the guidance that they provide assist objective assessments of matters before the board.

The board comprises two executive and eight non-executive directors. The board includes four female non-executive directors, and two of the non-executive directors are not independent. No individual has unfettered power on the board.

Tsholo Molefe was appointed to the board as an independent non-executive director effective 1 May 2019. Barend Petersen and Hennie Louw resigned as directors effective 1 May 2019.

One-third of the non-executive directors or those who have served for more than three years retire by rotation and offer themselves for re-election by shareholders at the annual general meeting, which is in accordance with the company's MOI. Directors appointed by the board must be confirmed by shareholders at the next annual general meeting of the company.

For executive directors, formal employment agreements exist that contain appropriate notice periods (no fixed-term contracts exist) and restraint-of-trade provisions.

The composition of the board and board committees ensures that no individual has unfettered powers of decision-making and authority. There is consequently a clear division of responsibilities at board and board committee level to ensure a balance of power and authority, while at the same time leveraging off synergies among the committees of the board.

The board is chaired by Santie Botha, an independent non-executive director. The chairperson of the board is responsible for, inter alia, ensuring the integrity and effectiveness of the board's governance processes. As Santie Botha is an independent non-executive chairperson, there is no need to appoint a lead independent non-executive director.

The two executive directors are the CEO and CFO.

Abbreviated curricula vitae of the individual directors on the board are contained on pages 50 and 51 of this report.

The board is satisfied that it has an appropriate mix of skills, experience and independence and that a balance of power exists on the board.

An induction programme for non-executive directors assists newly appointed directors with an accelerated onboarding process, enabling them to add value to the board in a relatively short period of time. The programme includes relevant information on the group, school visits

and induction sessions, to the extent required, with the chairperson of the board, CEO, CFO, company secretary, sponsor and/or chairpersons of board committees and/or relevant members of management, depending on the board committees to which the individual is appointed.

Board performance

The board's performance is informed by the quality of the corporate governance of the company, including how the company progresses towards achieving the board-approved vision and strategy. Refer to pages 84 to 97 for details on how the performance of executive directors is measured.

In order to function effectively, the board has opted to meet quarterly, and has an annual strategy meeting in addition thereto. Further details on decision-making powers and limits are contained in the corporate governance framework section of this report. The chairpersons of the board and its committees approve the attendance of any invitees at board meetings. Additional meetings may be convened when it is necessary to do so.

Between formally scheduled meetings of the board, the board applies the appropriate decision-making process in terms of its MOI to ensure effective and efficient decision-making from time to time. Furthermore, the directors have access to all company information, executive management, legal and other expertise, as and when required, at the expense of the company.

The board evaluates its performance and that of its committees through a self-evaluation process. An evaluation of the board and its committees took place in 2019. The results are submitted to the chairperson of the board and, anonymously, to the board. The findings are discussed at the first board meeting after the process has been concluded and appropriate actions are agreed on to ensure the continued development and effectiveness and improvement of the board as a whole, of the chairperson, and of the board committees. The following were the principal conclusions reached by the board:

- The board functions effectively, from a strong ethical base with an emphasis on trust and transparency.
- The board composition is diverse and strong relationships exist between the executive and non-executive directors.
- An effective risk-based internal audit approach is followed, and the board is satisfied that appropriate internal controls are in place.
- The board engages in robust discussion supported by detailed, informative board documentation that is issued timeously.
- The board is recognised as custodian of governance and receives effective reports from its committees, and considers its committees to be effective.

Areas of improvement were identified by the board and appropriate action initiated.

ACCOUNTABILITY

3.7 Corporate governance

The table below illustrates the directors' ages, classification and their tenures of service.

Name of director	Age ²	Classification: independent non-executive/non-executive /executive	Period since appointment
Santie Botha (appointed on 09/07/2012)	55	Independent non-executive	8 years
Andries Greyling (appointed on 01/02/2007)	50	Executive – CEO	13 years
KK Combi ¹ (appointed on 17/08/2012)	68	Independent non-executive	8 years
Hennie Louw ³ (appointed on 27/02/2012)	52	Executive – CIO	7 years
Nan Mankai (appointed on 10/08/2018)	39	Independent non-executive	1 year
Piet Mouton ¹ (appointed on 01/07/2009)	43	Non-executive	11 years
Prof. Sibongile Muthwa (appointed on 01/05/2013)	57	Independent non-executive	7 years
Barend Petersen ³ (appointed on 15/04/2011)	60	Independent non-executive	8 years
Douglas Ramaphosa ¹ (appointed on 26/01/2018)	63	Independent non-executive	2 years
Bernardt van der Linde (appointed on 01/07/2009)	42	Executive – CFO	11 years
Dr Chris van der Merwe (appointed on 30/12/1998)	57	Non-executive	21 years (founder)
Tsolo Molefe (appointed on 01/05/2019)	51	Independent non-executive	1 year

1 Retirement by rotation: up for re-election/confirmation of appointment, refer to the notice of AGM (only relevant for non-executive directors). Refer to pages 50 and 51 of this report for the abbreviated curricula vitae.

2 As at the date of posting of this annual integrated report.

3 Hennie Louw and Barend Petersen have resigned as directors with effect from 1 May 2019.



#Learners2Leaders: Creston College

Attendance at board and committee meetings by members

Director	Board meetings	Strategic planning	Audit and risk committee meetings	Remuneration and nominations committee meetings	Social, ethics and transformation committee meetings
Santie Botha	4/4	2/2		2/2	
Andries Greyling	4/4 ⁵	2/2			
KK Combi	4/4	2/2	2/2	2/2	
Hennie Louw	1/1 ²				
Nan Mankai	4/4	2/2	2/2		
Piet Mouton	4/4	2/2		2/2	
Prof. Sibongile Muthwa	4/4 ³	2/2	2/2		4/4
Barend Petersen	0/1 ²		1/1		
Douglas Ramaphosa	4/4	2/2			4/4
Bernardt van der Linde	4/4 ⁴	2/2			4/4
Dr Chris van der Merwe	4/4	2/2			
Tsholo Molefe	1/3 ¹		1/1		

1 Appointed on 01/05/2019.

2 Resigned on 01/05/2019.

3 Resigned from audit and risk committee with effect from 24/02/2020.

4 Resigned from social, ethics and transformation committee with effect from 24/02/2020.

5 Appointed to social, ethics and transformation committee with effect from 24/02/2020.

Conflicts of interest

The board has a formal process in place to manage conflicts of interest. In terms of this process, directors are individually obliged to disclose any conflict they may have with regard to a matter for discussion at the board meetings in terms of section 75(5) of the Companies Act. They must disclose the relevant information to the board prior to recusing themselves and leave the meeting so that the unconflicted directors can decide on the matter. In addition to the above, the directors annually disclose their interests in writing. This information is updated as and when the directors submit changes thereto to the company secretary. These written notices are available for inspection at every board meeting and are a standing item on the agenda of board meetings.

Ethics

Curro's code of ethics (and related policies), which sets out the values of the group, together with Curro's protocols on, for example, not tolerating child labour, discrimination, the respecting of human rights-related matters, and emphasising the importance of business integrity and ethics, is approved by the social, ethics and transformation committee, which is a board committee. The company's governance of ethics goes beyond legislated requirements and supports the establishment of a culture of ethics. Management is tasked with the implementation thereof, and Curro's internal control environment has measures in place to monitor these aspects and to enable management to take appropriate action for these types of incidents. Curro requires all its employees to live the Curro values, and material suppliers are made aware of these responsibilities and are required to respect them. Further detail on ethics management is included in the King IV disclosure register.

Governance framework and delegation of powers and responsibilities

Corporate governance framework

Curro's group governance structure has been developed on the basis of the regulatory requirements (i.e. JSE Listings Requirements, the Companies Act and King IV) and by taking into account the size and complexity of the business, and at the same time with a focus on how it adds value to the business. The board has appointed an audit and risk committee, a remuneration and nominations committee and a social, ethics and transformation committee to assist it with the performance of its duties. Transformation matters are discussed by the social, ethics and transformation committee.

ACCOUNTABILITY

3.7 Corporate governance

The composition of the board committees has been determined by the board to ensure that the skills and experience of the directors are utilised appropriately for the effective functioning of the board committees. The

chairpersons of the board and the committees determine which invitees are requested to attend meetings in order to provide additional insight and to assist discussions at these meetings. The board committees meet in accordance with

Committee name (membership based on legislation)	Number of meetings (minimum requirement)	Committee members (and changes during the year/post-year-end)	Committee members attendance at meetings – 2019
Audit and risk committee (consists of three independent non-executive directors)	Twice per annum	<ul style="list-style-type: none"> Barend Petersen (chairperson; resigned effective 01/05/2019) Sibongile Muthwa (resigned effective 24/02/2020) KK Combi Nan Mankai (chairperson effective 01/05/2019) Tsholo Molefe (appointed effective 01/05/2019) Refer to pages 50 and 51 for member profiles. Barend Petersen has resigned as chairperson and member with effect from 1 May 2019. Nan Mankai became chairperson of the committee with effect from 1 May 2019. Tsholo Molefe became a member of the committee from 1 May 2019. Prof. Sibongile Muthwa resigned as member of the committee with effect from 24 February 2020. Invitees: <ul style="list-style-type: none"> Remaining board members External auditors Internal auditors Holding company's financial director Financial managers 	Two meetings were held and all members attended both meetings, except Barend Petersen, who attended only the first meeting and subsequently resigned as member and chairperson effective 1 May 2019, and Tsholo Molefe, who was appointed effective 1 May 2019 and attended the second meeting.

their mandates, which are reviewed annually. Conflicts of interest are generally dealt with by board committees in the same manner as that of the board (refer to details thereof on page 77).

Refer to the table below for a summary of the composition of the board committees, the number of meetings, their roles and responsibilities, a statement on the achievement of objectives for 2019 and key focus areas for 2020.

Charter – summary of role and responsibilities	2019 performance and 2020 key focus areas
Ensure that the appointment of the auditor is presented and included as a resolution at the AGM pursuant to section 61(8) of the Companies Act. Review and approve for recommendation to shareholders: <ul style="list-style-type: none"> Appointment of external auditors, the audit strategy and audit fees. Review and approve for recommendation to the board: <ul style="list-style-type: none"> Audited financial results and statements and interim financial results. Changes to risk appetite. The arrangements for ensuring the integrity of information for internal decision-making, underpinned by the formal delegation-of-authority limits and framework. Curro's going-concern status. Review and approve: <ul style="list-style-type: none"> Use of the external auditors for non-audit services and fees in order to ensure their independence is retained. Annually, the appropriateness of the expertise and the experience of the CFO and finance function of Curro as contemplated in terms of paragraph 3.84(g)(i) of the JSE Listings Requirements. Any material changes to the group's finance function. A process and system of risk management, and management's risk assessments (inter alia, strategic, financial, technology, health, safety, environment, compliance risks) that have been performed. Internal auditors appointed, their risk-based combined assurance plan and fees (outsourced providers are used), and progress to achieve the plan and outcome of audits completed. Oversight of: <ul style="list-style-type: none"> Assurance functions of the group, i.e. external auditor, internal auditors, finance function, information and technology governance, and compliance governance and risk management. And ensuring that the appropriate financial reporting procedures exist and are operating. Risk management-related matters – refer to pages 70 to 72. IT governance – refer to pages 40 and 41 for more detail. IT governance: <ul style="list-style-type: none"> Review whether Curro's IT is aligned with the performance and sustainability objectives of Curro and whether the IT assets are managed effectively. Maintain oversight of IT risks and controls, business continuity, business resilience, data recovery, IT security and data privacy, and ethical use and management of information. In reviewing these, ensure an integrated approach is followed with linkage to company-wide risk management and strategic alignment. Monitor and evaluate significant IT expenditure. 	2019 performance: The committee fulfilled its role in accordance with its charter as summarised for the year ended 31 December 2019. Refer to pages 5 and 6 of the audit and risk committee report that forms part of the audited financial statements (AFS) published at www.curro.co.za . The internal auditors include within their internal audit assessments a written statement on the effectiveness of the internal controls. For the year ended 31 December 2019 this was noted as 'satisfactory'. The external auditors have issued an unmodified audit opinion. Compliance governance: <ul style="list-style-type: none"> A policy was formalised in 2017 for reporting to the committee and board on updates and changes to legislation, thereby enhancing the compliance governance of the company. 2020 key focus areas: <ul style="list-style-type: none"> Continuing to fulfil the committee's mandate.

ACCOUNTABILITY

3.7 Corporate governance

Committee name (membership based on legislation)	Number of meetings (minimum requirement)	Committee members (and changes during the year/post-year-end)	Committee members attendance at meetings – 2019
Social, ethics and transformation committee (consists of three members, two of whom are independent non-executive directors, and one executive director)	Once per annum	<ul style="list-style-type: none"> Sibongile Muthwa (chairperson) Douglas Ramaphosa Bernardt van der Linde (resigned effective 24/02/2020) Andries Greyling (appointed effective 24/02/2020) Refer to pages 50 and 51 for member profiles. Invitees: <ul style="list-style-type: none"> Andries Greyling (until appointment as member on 24/02/2020) Beverley Bennett (Executive: Human Resources) Nan Mankai (independent non-executive director) Phakamisa Ndzamela (Executive: Strategic Relations) Mari Lategan (Executive: Marketing and Communication) 	Four meetings were held and all members attended.
Remuneration and nominations committee (consists of three non-executive directors, two of whom are independent)	Twice per annum	<ul style="list-style-type: none"> KK Combi (chairperson) Santie Botha Piet Mouton Refer to pages 50 and 51 for member profiles. Invitees: <ul style="list-style-type: none"> Andries Greyling Bernardt van der Linde (on an ad hoc basis) 	Two meetings were held and all members attended.



Charter – summary of role and responsibilities	2019 performance and 2020 key focus areas
Continued ... Compliance governance: <ul style="list-style-type: none"> Compliance risk is monitored in the risk reporting and in internal audit reports that are submitted to the audit and risk committee and the board so as to ensure that appropriate action is taken by management to mitigate these risks. Management is responsible for ensuring compliance with legislation. Satisfy itself: <ul style="list-style-type: none"> That the external auditor is independent of Curro, as set out in Section 94(8) of the Companies Act, and suitable for reappointment by considering, inter alia, the information stated in paragraph 22.15(h) of the JSE Listings Requirements. 	
Review and approve for recommendation to the board: <ul style="list-style-type: none"> Curro's B-BBEE strategy, plans and transformation targets. Review and approve: <ul style="list-style-type: none"> Policies relating to the social and ethics mandate (inter alia, codes of ethics, whistle-blowing, corporate citizenship policies, anti-bribery and corruption, environment, health and safety, transformation). King IV register for publication on Curro's website. Oversight of: <ul style="list-style-type: none"> Curro's performance in the context of legislative requirements that have a social and economic impact, for example the Broad-Based Black Economic Empowerment Act. Monitoring of consumer and stakeholder relationships. Monitoring of compliance with legislative requirements as they pertain to the environment, health, public safety, labour and ethical practices. Monitoring of Curro's responsible citizenship and ethics management practices. Application of King IV. Compliance with the requirements of regulation 43 of the Companies Regulations (2011) in terms of the Companies Act. 	2019 performance: <ul style="list-style-type: none"> Progress made in terms of Curro's transformation plan. Evaluating the B-BBEE compliance certificate and determining the way forward. Reviewing Curro's application of King IV and approving the disclosure register. 2020 key focus areas: <ul style="list-style-type: none"> Developing creative employment value offerings to make Curro an employer of choice and retain staff. Ensuring that management supports staff to pass their skills development and training programmes. Improving social support for bursary recipients and guiding them on tertiary-education opportunities.
Review and approve: <ul style="list-style-type: none"> The remuneration policy, remuneration implementation report and levels of authority. Executive directors and exco members' remuneration and performance measures. Refer to pages 84 to 97 for the remuneration policy and implementation report. Share-scheme model, share-option awards, loans of participants. Review and approve for recommendation to the board and shareholders: <ul style="list-style-type: none"> Recommendation of changes to the trust deed of the share incentive scheme. Non-executive directors' fees and changes thereto. Oversight of: <ul style="list-style-type: none"> Appropriate succession plans at executive level. Organisational leadership organogram. Reviewing and approving for recommendation to the board, changes to the composition of the board and its committees. 	2019 performance: <ul style="list-style-type: none"> The remuneration and nominations committee believes it has fulfilled its stated objectives. 2020 key focus areas: <ul style="list-style-type: none"> Refer to page 85 of the remuneration reports.

The board's governance and management functions are linked through the CEO, Andries Greyling, who is tasked with running the business and implementing the policies and strategies adopted by the board. Furthermore, the board has empowered Curro's executive directors and management to perform the functions required to implement the strategic direction and plans set by the board, documented in the group's delegation of authority limits, the executive committee charter and the policies of the company. The Curro executive committee ('exco') assists the CEO in fulfilling his mandate. The executive directors and management remain responsible for the effective day-to-day running of the company, with due regard to fiduciary responsibility on the one hand and operational efficiency on the other.

The exco aims to meet at least monthly. Inter alia, this committee monitors business success, budget and business plans, strategic plans for submission to the board, capital management, corporate finance, treasury management and material developments and/or high risks affecting the business performance and sustainability of the business, and ensures that appropriate action to manage same is taken.

The corporate governance structure includes its subsidiaries. The subsidiaries of the group do not have separate board committees, as the relevant Curro board committees fulfil these roles for those subsidiaries. The exco members who are responsible for those areas report to the board on the subsidiaries, and via the CEO on material matters. Subsidiaries of the group are expected to adopt Curro's policies in so far as they are relevant to the subsidiary's business, and protocols are in place for the approval of policies that are different.

Company secretary

Ruan Botha is Curro's acting company secretary. The board is satisfied with the competence, qualification and experience of the company secretary.

The company secretary is not a director, nor related to any of the directors or senior leadership of Curro, and the board is satisfied that an arm's length relationship exists between the board and the company secretary. The company secretary has maintained a professional relationship with the directors and exco, providing direction on ethical and responsible governance and providing independent advice relating to corporate governance as and when required.

The company secretary is primarily responsible for the administration of the board, Curro and Curro's shareholders in accordance with applicable legislation and procedures. The company secretary is also responsible for informing the board of any failure to comply with Curro's MOI, the Companies Act and other related corporate governance policies of Curro. Board members have unlimited access to the company secretary. The company secretary is responsible for liaising with the Companies and Intellectual Property Commission and the JSE Limited through Curro's sponsor.

The company secretary is responsible for the administration of the policy on board-approved dealings in securities. The policy on dealings in securities is a formal policy that exists so that dealings in Curro securities by directors and specific employees (as identified by the CEO) are managed and monitored so as to ensure adherence to the JSE Listings Requirements. The chairperson of the board and one of either the CEO or CFO are mandated to authorise clearance to directors to trade in Curro securities. A similar process is in place for certain employees of the group. No trading is allowed during closed periods, as contemplated in the JSE Listings Requirements, or when specific information exists that may materially affect the share price and this information has not been disclosed to the public.

The certificate that the company secretary is required to issue in terms of section 88(2)(e) of the Companies Act is on page 4 of the 2019 audited financial statements of the company which is available for download on Curro's website at www.curro.co.za.



3.8 Remuneration reports

Chairperson's letter

Dear Shareholders and other Stakeholders

This is the remuneration report of Curro Holdings Limited, which includes the remuneration policy and the implementation report. The provisions of King IV (read with the JSE Listings Requirements) require that these two documents be submitted for non-binding advisory votes at the AGM of shareholders.

The remuneration and nominations committee of Curro Holdings Limited ('remcom') fulfils the role of governing remuneration-related matters, as delegated to it by the board of directors. The remcom consists of KK Combi (independent non-executive director and chairperson of remcom), Santie Botha (independent non-executive chairperson of the board), and Piet Mouton (non-executive director). The CEO, Andries Greyling, and the CFO, Bernardt van der Linde, attend meetings of the remcom by invitation, as required. The CEO and CFO recuse themselves from the meeting when a conflict of interest arises or when they are requested to do so. Curro's company secretary in an acting capacity, Ruan Botha, is also the secretary of the committee.

The remcom is governed by its charter, which is reviewed annually by the committee and the board of directors. The committee has met twice throughout the financial year ending 31 December 2019, and has fulfilled its responsibilities as set out in its charter and as further described in the remuneration policy.

At the Curro AGM held on 5 June 2019, the remuneration policy received a 90.01% vote in favour thereof (with 9.99% against), and the implementation report received a 92.46% vote in favour thereof (with 7.54% against).

Curro believes that ensuring the alignment of Curro's remuneration philosophy with the interests of other stakeholders will ensure sustainable growth to the benefit of all parties. Curro aims to reward its employees fairly through competitive remuneration in order to ensure that it retains and attracts high-calibre employees. Some of the factors influencing the remuneration policy include:

- The business strategy, including the short- and long-term goals and objectives of the company.
- An aspiration to adequately reward value that has been created, contributions made and performance.
- Appropriate remuneration benchmarks are applied by considering remuneration trends in both the public and private-education sectors, as well as in other comparable industries with similar attributes.
- The financial position and outlook for the company in the context of the broader economy.
- Remaining cognisant of the level of school-fee increases in relation to salary increases.
- The pay gap between executives and the rest of the employees of the company.

In accordance with its charter, the remcom made the following key decisions during 2019:

- Determined the key performance indicators of the short-term incentives ('STIs') for the 2019 financial year.
- Reviewed performance against the 2018 key performance areas and approved STIs for executive directors.
- Reviewed and approved salary increases for the executive directors and the acting company secretary.
- Reviewed non-executive directors' fees for submission to the shareholders at the AGM.
- Reviewed and approved the share option scheme model, share option awards and net settlement of shares in cash.
- Reviewed the composition of the board and board committees and made recommendations for changes thereto to the board for approval.
- Reviewed the succession plan for key management.
- Reviewed the committee's charter.

Refer to the corporate governance report on pages 74 to 83 for more details on the committee's functioning.

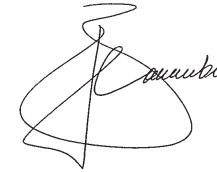
The remcom believes that:

- It was objective and independent when it reviewed the remuneration policy.
- The policy approved in 2019 achieved its stated objectives.
- The committee remained objective and independent when it approved the remuneration of executives and the rest of the company as a whole.
- The company's independent advisers were independent and objective in the services they rendered during the year under review.

The focus areas for 2020 include:

- Continuing to implement best-practice protocols in accordance with principles set out in this policy.
- Determining performance conditions for the long-term incentive ('LTI') scheme that would be appropriate for Curro's business model.

The committee believes that the Curro remuneration policy and implementation report support the long-term business strategy of the company and recommends that shareholders support the resolutions of the 2020 AGM.



KK Combi
Chairperson: Remuneration and Nominations Committee



#Learners2Leaders: Curro Vanderbijlpark

ACCOUNTABILITY

3.8 Remuneration reports

2020 Remuneration policy

1. Introduction

The purpose of this policy is to outline the principles according to which Curro remunerates its employees.

Curro wishes to increase access to independent-school education across southern Africa. Staff are an instrumental component in achieving that goal, and accordingly, fair and equitable remuneration remains a key focus area for Curro. At 31 December 2019 there were 6 076 employees, of whom 186 employees related to head office. Total remuneration represented 53% (2018: 52%) of revenue generated and 70% (2018: 69%) of operating expenses respectively.

Curro acknowledges that its human capital is an important part of Curro's six integrated reporting capitals. As part of Curro's employee value proposition, Curro remunerates employees with appropriate total-cost-to-company ('TCTC') packages, as well as with STIs and LTIs (see explanation below). Curro also offers other benefits, such as a positive working environment and training and skills development programmes. Curro believes the aforementioned factors help it to develop, motivate and retain its skilled employees, which is essential in the education environment.

This policy has a positive impact on the sustainability of the Curro group and develops the company towards positioning itself as an employer of choice. In so doing, Curro's remuneration policy is aligned to the Curro group's long-term strategy and shareholder value creation.

Curro's remuneration policy consists of three components:

- i. A TCTC package, including benefits such as 13th cheques (guaranteed bonus portion – see below), maternity leave, provident fund contribution, death, disability and dreaded disease benefits, medical aid.
- ii. A short-term cash incentive scheme, linked to the annual performance of the company.
- iii. An LTI scheme (limited in participation) that assists with the retention of key skills in the management of the Curro group and in promoting long-term performance.

An internal policy exists to ensure that appropriate governance processes are in place for the approval of individual employees' remuneration and changes thereto. The remuneration of the executive directors, exco members and company secretary (collectively 'executives') is reviewed annually by the remcom, which seeks to ensure that balance is maintained between fixed (cost-to-company packages) and variable (STIs and LTIs) elements of remuneration, as well as between short-term, medium-term and long-term strategic performance objectives. The remcom aims to ensure that the remuneration of executives is fair and responsible to the company, its shareholders and other stakeholders and the executive.

Non-executive directors receive a fixed fee approved annually by shareholders. Further details are set out in section 8 of this policy.

Refer to the corporate governance report on pages 74 to 83 for details on the remcom's composition, purpose, role, mandate, meetings held and attendance thereat.



#Learners2Leaders: Curro Mossel Bay

2. Remuneration mix

The remcom ensures that the mix between remuneration components for executives is weighted towards variable pay in order to encourage the achievement of the short- and long-term financial and strategic goals of the organisation. For employees at other levels in the organisation the total remuneration mix is weighted towards guaranteed pay, as they do not manage the company's overall financial performance.

The table below provides an overview of the categories of Curro employees and their respective remuneration components:

Group	Focus	Strategic view	Remuneration
Executives	Formulate, drive and oversee implementation of strategy	Longest term	Cost-to-company package, *short-term incentive and share options
Head office: professionals and management levels	Operational	Short to long term	Cost-to-company package, **maximum 15th cheque as short-term incentive, share options
Schools: management levels	Operational	Short to long term	Cost-to-company package, **discretionary bonus and share options
Other staff (head office and schools, including teachers)	Support (administration)	Short term	Cost-to-company package and 13th cheque

* The remcom approves the short-term incentive scheme from time to time. The remcom approves the LTIs scheme model (in accordance with the rules approved by shareholders) from time to time.

** The executive directors and executive committee have the discretion to formulate ad hoc incentive schemes that drive performance.

3. Fair and responsible remuneration

Executive remuneration should be fair and responsible in the context of overall employee remuneration. Curro is sensitive to socio-economic challenges and the need to try and address some of these challenges where possible.

The steps taken in this regard include:

- Curro increased its contribution to the provident fund from 2% in 2018 to 3% in 2019.
- A medical benefit, in particular an employer-provided medical benefit plan, was introduced effective 1 April 2018 for employees earning less than R12 000 per month. This benefit allows these employees to obtain covered medical assistance for basic medical care.
- Assistance with school fees provided for employees whose children attend Curro schools.
- Ensuring that the lowest-paid employees receive remuneration above the minimum wage level.
- Curro has embarked on a skills development and training drive to train and upskill staff across the Curro group.

4. Total-cost-to-company package

The TCTC packages of employees are determined and reviewed annually, and changes thereto are effective on 1 March of each year. These packages take into account individual performance, company performance, the macroeconomic environment, industry standards, level of responsibility that the individual assumes, business complexity and external salary benchmarks where relevant. Competitive TCTC remuneration packages allow Curro to attract and retain skills that the group requires to implement its business strategy.

Curro makes use of the following external remuneration benchmarks:

School employees (about 97% of total employees)

- Teachers and specialised employees and management: competitors' salaries/state schools' salary statistics
- Other employees at schools: general market comparisons

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Head office employees (about 3% of total employees)

- Administrative employees and non-management employees: general market comparisons
- Specialised functions/professionals: industry-specific comparisons
- Executives: publicly available information from the industry, together with surveys on executive pay for listed companies per industry as and when available, and total remuneration components

Curro believes that these benchmarks provide reliable information to assist with remuneration decisions on a comprehensive and informed basis.

The remcom reviews the salary packages of executives. The average salary increases of these individuals are usually similar to the general employees' average salary increases, unless there are specific reasons to determine otherwise, for example when an individual is promoted.

The remcom reviews whether the total consolidated increases to the salary packages of employees of the company, together with the total STIs considered annually, are commensurate with the size and complexity of the business. The remcom approves the levels of authority with respect to who may approve increases to the packages of employees in the different areas and on the different levels in the company. The benefits available to employees include a guaranteed 13th cheque; maternity leave, provident fund contribution, death, disability and dreaded disease benefits, medical aid (including a medical aid scheme for employees earning below R12 000 per month).

5. Short-term incentives

Curro believes in rewarding good performance that is dependent on the performance of the company. This reward is delivered in the form of a cash bonus. STIs are not guaranteed and are paid at the discretion of the remcom. The purpose of STIs is to encourage and promote the continued and consistent focus on the implementation of Curro's group strategy and to appreciate and recognise achievements. They also assist in retaining the group's top performers. STIs are usually paid to employees who fall in the management levels of the group.

The STIs are considered annually when the audited/reviewed results of Curro are available, and are usually payable in February or March every year. The STIs for employees other than the executives are approved by the committees/individuals as set out in the remcom-approved levels of authority.

The STIs for the executive directors and exco members focus on the key drivers of the business.

The following targets and weighting will be applicable to STIs in 2020:

STI targets (equal weighting)*

- Achieve growth in recurring HEPS of 20%
- Increase Yield by 0.5%
- Achieve 7% growth in organic net learner numbers from 2020 to 2021
- Personal KPIs

*Above subject to an increase in HEPS

Bonus weighting per executive

CEO	100%
CFO, business managers, academic head	80%
Other exco members	60%

Considering the unprecedented environment that the COVID-19 pandemic has caused and the resulting uncertainty it entails, the remcom reserves the right to amend the performance measures and targets.

Learner growth and retention have a significant operational gearing effect on the bottom line of the company. Management will have to focus on service delivery for this.

For management to achieve the HEPS target, in addition to reducing the lever ratio for learners, it will have to focus on reducing costs, the collection of school fees in order to reduce bad debts, and capital investments to reduce depreciation and interest expenses.

The remcom annually reviews and approves the key performance measures and bonus pools of the executives and compares the achievement with these measures when the total remuneration packages of the members are revised.

6. Long-term incentives

Introduction

Curro believes that the retention of key skills in the group is important for the sustainability of the group and that LTIs assist in doing so. Furthermore, LTIs align the interests of participants with the medium- to long-term strategic objectives of the company. At the same time, they illustrate Curro's commitment and loyalty towards the participants. Curro's LTIs consist of a share option scheme. A key feature of Curro's share option scheme is that participants will only benefit if there is long-term share price appreciation, which should ultimately depend on sustained growth in headline earnings per share as a result of Curro's business and management activities.

The share option scheme also ensures a rolling long-term focus for participants, considering the annual vesting of share options in 25% tranches on the second, third, fourth and fifth anniversaries of the award date and subsequent award top-ups as detailed below. During 2020 the remcom will review performance criteria for future vesting conditions.

The Curro shareholders approved the share option scheme rules that govern a range of principles such as share option awards, eligibility criteria to be a participant, vesting rules, and, for example, how to deal with circumstances when an employee retires, is retrenched or in the case of their death. The shareholders approved certain changes to the rules of the share option scheme at the 2018 AGM that:

- Allow the board to determine and set performance measures that will apply to the vesting of options awarded in terms of the Share Incentive Scheme.
- Allow the company to settle exercised options on a net equity basis, by way of cash payments, or through the issue and allotment of ordinary shares in the company.
- Grant the board the discretion to determine that options that have been awarded by the company will lapse, where the board determines, in its sole discretion, that the participant is guilty of misconduct or poor performance.
- Increase the required loan cover ratio applicable to loans made by the company to participants in the Share Incentive Scheme from 130% to 200%.

Award

Share options are awarded annually at the discretion of the remcom. The number of share options to be awarded is calculated on the basis of the respective employees' base salary and a multiple of between one time and seven times applied thereto, depending on the employee's seniority and level of responsibility assumed in the organisation, and subject to their performance. In determining the top-up calculations for the annual share option award, the value of unvested past share option awards is taken into account. All share options are awarded at a strike price equal to Curro's 30-day volume-weighted average share price immediately preceding such award date. This strike price ensures an automatically embedded performance hurdle in that participants will only benefit from the share option scheme if there is a long-term share price appreciation and thus value creation for Curro shareholders.

The total consolidated number of options to be awarded annually is a matter to be decided and approved by the remcom. The remcom is responsible for approving the annual awards for specific participants (executive directors, exco, company secretary, executive heads, heads of departments and operational heads). The approval of share option awards for other senior managers/middle managers/junior managers who qualify for participation in the share option scheme is delegated to the CEO, CFO and company secretary by the remcom. This approval occurs subject to these awards being within the factor ranges that the remcom has set and the remcom being notified once awards have been made.

Vesting

The remcom believes that awarding share options at the market price, at the time of issuing, is currently the most appropriate incentive. In order for participants to benefit, the share price must increase over time.

However, like in the previous year, the remcom has decided to continue with the EBIT margin as a vesting condition.

Vesting date	Sep 2022	Sep 2023	Sep 2024	Sep 2025	
Financial year	2019	2021	2022	2023	2024
EBIT margin*	17.2%	20.5%	21.0%	21.5%	22.0%

*Significant acquisitions might be excluded from this measure.

There are no vesting conditions for rights issued before 2019.

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In addition, shares awarded to employees are at the market options, so without share price appreciation, which will only coincide with long-term value creation, management will derive no benefit from the LTI.

Limits

The limits of the number of shares that may be utilised for purposes of the share option scheme are fixed and determined by Curro shareholders from time to time, as required by the JSE Listings Requirements.

Below is a summary of the shares already utilised up to December 2019:

	Number of shares	Portion utilised	As % of shares in issue
For all participants			
Cumulative utilised	24 869 931	85%	6.0%
Current unvested	12 499 100	43%	3.0%
Maximum that may be utilised	29 354 954	100%	7.1%
Per individual participant			
Cumulative utilised	2 228 299	58%	0.5%
Current unvested	717 025	19%	0.2%
Maximum that may be utilised	3 870 990	100%	0.9%

Loan funding

Although the share incentive trust deed permits granting of loans to acquire vested share options, no new loans have been granted since 2017. At 31 December 2019 the loan balance was R9 million with security cover of R15 million.

Termination of service

In the case of resignation, dismissal or early retirement (before attaining the age of 65 years) of a participant (i.e. bad leaver), unvested share options are generally forfeited.

In the case of permanent disability, compulsory retirement (attaining the age of 65 years), death or retrenchment of a participant (i.e. good leaver), any share options capable of being exercised within a period of 12 months thereafter will generally continue to be exercisable, provided they are exercised during such 12 months. However, in the case of the termination of employment for any reason other than dismissal, the remcom may at its absolute discretion permit the exercising of any unvested share options upon such additional terms and conditions as it may determine (e.g. as part of non-compete provisions in the case of the early retirement of an executive).

7. Executive contracts

Executives have a notice period of two months, with between one and three months for all other employees, depending on the role requirements, to ensure continuity of the operations and alignment with market practice. Executive directors have an unpaid restraint of trade for 24 months. Curro employees (including executives) are not entitled to any payments upon termination of their service, except for those provided for by law (e.g. accrued annual leave and retrenchment payments).

No retention-based payments are made to Curro employees, although the remcom has the discretion to make such payments when the need arises. LTI awards vest in line with the shareholder-approved rules.

Executive directors are permitted to serve as non-executive directors in other companies with the prior approval of the chairperson of the board. Any remuneration payable for these duties is taken into account when remuneration reviews take place. In certain instances, incoming appointees may be awarded LTIs as a sign-on award.

8. Non-executive directors' fees

Non-executive directors' fees are reviewed annually by the remcom, taking into account external public research information that is available on non-executive directors' fees, affordability, and the increases awarded to the average employee's salary. The remcom's recommendation is submitted to the board, which then considers it for recommendation to the shareholders for approval at the company's AGM.



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3.8 Remuneration reports

The company's memorandum of incorporation as approved by the shareholders of the company allows for a disinterested quorum of the board to determine such additional amounts of fees/remuneration to be paid in the event a director provides services that fall outside the scope of the ordinary duties of a non-executive director. Non-executive directors do not receive share options.

Refer to pages 10 and 11 of the notice of AGM for details on the proposed fees for 2020. Refer to the implementation report for the details on the non-executive directors' remuneration paid in the 2019 financial year.

The proposed fees for non-executive directors are as follows:

Non-executive directors' fees (excluding value-added tax)	Annual fee 2020
Board	
Chairperson of the board	R550 000
Board members	R250 000
Chairpersons of the board committees	
Audit and risk committee	R150 000
Remuneration and nominations committee	R100 000
Social, ethics and transformation committee	R100 000
Members of board committees	
Audit and risk committee	R80 000
Remuneration and nominations committee	R80 000
Social, ethics and transformation committee	R50 000

Notes:

1. Fees are paid for services rendered as non-executive directors and are not based on meetings attended.
2. Value-added tax ('VAT') is payable thereon if the non-executive director is VAT registered.



#Learners2Leaders: The King's School Linbro Park

9. Shareholder non-binding advisory votes

This remuneration policy is updated from time to time, and together with the implementation report, is submitted to the shareholders of Curro annually at its AGM for two separate non-binding advisory votes.

In accordance with the JSE Listings Requirements, in the event that 25% or more votes are exercised against the remuneration policy and/or the implementation report, Curro will:

- Include in a statement on its AGM voting results published via the Stock Exchange News Service (SENS) an invitation to the dissenting shareholders to engage with Curro, together with the manner and timing of this engagement.
- Address legitimate concerns raised by taking these into account with the annual review of the remuneration policy and/or by clarifying or adjusting remuneration governance processes.

The methods of engagement may include face-to-face meetings, teleconferences, emails and other written correspondence.

In the circumstances described above, the results of the shareholder engagement will be disclosed in the introduction of the successive remuneration report.

Implementation report for the year ended 31 December 2019

Human capital is a critical component of Curro's business success, as their people are key to the quality of education that they provide through their schools. Curro has 6 076 employees, and approximately 70% of operating expenses consist of remuneration for employees.

The remcom believes it has achieved its objectives set out in the remuneration policy for 2019. There were no material deviations from the remuneration policy.

	2017	2018	2019
Total remuneration			
Total number of employees	5 369	5 628	6 076
Guaranteed pay and company contributions	1 086	1 264	1 541
Short-term incentive	4	10	6
IFRS2 share-based payments expense	17	16	22
Total remuneration* (R million)	1 107	1 290	1 569
As percentage of revenue	53%	52%	53%
Remuneration of prescribed officers and executive committee			
Number of employees	9	11	11
Guaranteed pay (R million)	13	19	23
Short-term incentive (R million)	2	6	3
IFRS2 share-based payments expense (R million)	7	6	7
Total of guaranteed and short-term incentive (R million)	22	31	33
Short-term incentive as percentage of guaranteed pay	15%	32%	13%
Total of guaranteed pay as percentage of revenue	1.0%	1.2%	1.1%
Total of guaranteed pay as percentage of EBITDA	4.7%	4.9%	4.8%

Notes

* Total remuneration includes total STIs and the IFRS2 share-based payments expenses relating to the Share Incentive Trust.

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3.8 Remuneration reports

Single total figure remuneration for executives in FY 2019

Executive	Basic salary	Expense allowances	Pension contributions paid	Bonuses*	Gains on exercising of options	Total
	R'000	R'000	R'000	R'000	R'000	R'000
AJF Greyling	2 518	102	94	2 400	31	5 145
HG Louw**	543	111	44	1 192	21	1 911
B van der Linde	1 950	95	108	1 343	26	3 522
	5 011	308	246	4 935	78	10 578

*Based on performance for the 2018 financial year.

**Resigned effective 1 May 2019.

Single total figure remuneration for executives in FY 2018

Executive	Basic salary	Expense allowances	Pension contributions paid	Bonuses*	Gains on exercising of options	Total
	R'000	R'000	R'000	R'000	R'000	R'000
AJF Greyling	2 351	119	133	700	1 083	4 386
HG Louw	1 554	261	140	–	817	2 772
B van der Linde	1 852	91	120	500	807	3 370
	5 757	471	393	1 200	2 707	10 528

*Based on performance for the 2017 financial year.

Total-cost-to-company packages

Increases are provided to staff annually with effect from 1 March. For the 2019 year, the general annual salary increase was 4%, with a 1% increase to the employer's contribution to the provident fund. With the exception of where there were changes in responsibilities, the increases for executives were in line with those for the rest of the staff.



#Learners2Leaders: Curro Academy Parkdene

Short-term incentives

STIs are paid annually in February or March following the financial and academic results of the prior year and the learner enrolments for the following financial year. The February 2020 amount paid to the exco was R9.6 million (2019: R11.5 million), which was the bonus pool approved by the remcom in February 2020. The remcom's approval process for STIs took into account a review of the exco's achievement against the 2019 key performance indicators that were approved for that year in February 2019 and reviewed in February 2020 (once reviewed and/or audited information was available).

Executives met the key performance indicators that had been set for the 2019 financial year. Details can be found below.

Other employees, who mainly comprise operations managers, executive heads and selected head office personnel, may also receive an additional bonus in March based on specific outcomes achieved by the individual.

The STIs for the individuals as set out in the 2019 remuneration policy for the 2019 financial year that were paid in February 2020 and that will be included in the 2020 financial statements were as follows:

Exco - STI targets and results 2019

Financial and learner numbers	Allocation If target met	Minimum 0%	Target 25%	Stretch 40%	Actual achieved	Allocated bonus
Learner numbers						
Organic growth	25%	7.5%	9.0%	12.0%	9.2%	26.2%
Qualifying learner numbers 2020					62 522	
Qualifying learner numbers 2019					57 232	
Learner leaver ratio	25%	18%	16%	14%	16.1%	24.3%
Number of leavers (after adjustment for transfers)					9 188	
Qualifying learner numbers 2019					57 232	
HEPS Growth	25%	20%	30%	40%	(15.1%)	0.0%
HEPS (cents)		72	78	84	51	
	75.0%					50.5%

	CEO	CFO	Other Exco
Total Personal KPIs	24.4%	20.4%	23.0%
Group targets achieved	50.5%	50.5%	50.5%
Total Bonus	74.9%	70.9%	73.5%
Bonus weighting per executive (% of yearly salary)	100.0%	80.0%	67.5%
Bonus percentage	74.9%	56.7%	49.7%

Long-term incentives (R million)

	2017	2018	2019
Realised gains on vesting (all participants)	30	9	1
Realised gains on vesting (prescribed officers and exco)	16	3	0**
Outstanding loans to participants*	44	22	9

*The average loan-to-value ratio at 31 December 2019 was 1.7 times and each individual borrower exceeded the minimum ratio of 1.3.

**R121 152

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Details of share awards made to executive directors are set out in the table below:

Director	Share options award date	Final option vesting date	Exercise price per share option (Rand)*	Opening balance of share options awarded at 1 January 2019	Number of share options awarded during the year	Number of share options vested during the year	Closing balance of share options as at 31 December 2019	Gain on vesting of options** R'000	Gains on unvested share options as at 31 December 2019*** R'000
CR van der Merwe	2014/09/29	2019/09/29	18.24	33 550	–	(33 550)	–	–	
	2015/09/29	2020/09/29	29.01	98 600	–	(49 300)	49 300	–	
	2016/09/29	2021/09/29	36.21	105 150	–	(35 050)	70 100	–	
				237 300	–	(117 900)	119 400	–	
AJF Greyling	2014/09/29	2019/09/29	18.24	23 475	–	(23 475)	–	–	
	2015/09/29	2020/09/29	29.01	60 300	–	(30 150)	30 150	–	
	2016/09/29	2021/09/29	36.21	71 850	–	(23 950)	47 900	–	
	2017/09/29	2022/09/29	37.53	273 700	–	(68 425)	205 275	–	
	2018/09/29	2023/09/29	30.54	109 300	–	–	109 300	–	
	2019/09/29	2024/09/29	19.81	–	324 400	–	324 400	–	
				538 625	324 400	(146 000)	717 025	–	
B van der Linde	2014/09/29	2019/09/29	18.24	19 675	–	(19 675)	–	–	
	2015/09/29	2020/09/29	29.01	42 350	–	(21 175)	21 175	–	
	2016/09/29	2021/09/29	36.21	50 400	–	(16 800)	33 600	–	
	2017/09/29	2022/09/29	37.53	167 700	–	(41 925)	125 775	–	
	2018/09/29	2023/09/29	30.54	96 500	–	–	96 500	–	
	2019/09/29	2024/09/29	19.81	–	197 500	–	197 500	–	
				376 625	197 500	(99 575)	474 550	–	
HG Louw [^]	2014/09/29	2019/09/29	18.24	15 875	–	(15 875)	–	–	
	2015/09/29	2020/09/29	29.01	43 650	–	(21 825)	21 825	–	
	2016/09/29	2021/09/29	36.21	51 600	–	(17 200)	34 400	–	
	2017/09/29	2022/09/29	37.53	114 900	–	(28 725)	86 175	–	
	2018/09/29	2023/09/29	30.54	88 800	–	–	88 800	–	
	2019/09/29	2024/09/29	19.81	–	172 700	–	172 700	–	
				314 825	172 700	(83 625)	403 900	–	
				1 467 375	694 600	(447 100)	1 714 875	–	

* Exercise price is the strike prices adjusted for corporate actions (rights issues and unbundling of shares).

** Share price on date of exercise to calculate the gain was R19.58

*** The unrealised in the money amount was calculated by multiplying the unvested number of shares by the market price of the share at 31 December 2019 being R17.70.

[^] Resigned effective 1 May 2019.

Non-executive directors' fees

	2017	2018	2019
Remuneration (R'000)	1 564	2 083	3 037
Growth	15.2%	33%	46%

The fees paid to non-executive directors in the 2019 financial year included the following:

Name	2018 R'000	2019* R'000
SL Botha	494	725
ZL Combi	280	495
ZN Mankai	120	417
TBL Molefe	–	253
PJ Mouton	214	380
SWF Muthwa	280	430
B Petersen	267	–
DM Ramaphosa	214	330
CR van der Merwe	604**	288
	2 473	3 318

*Includes VAT

**Includes fees for acting as a strategic adviser to Curro.

Fees for non-executives for the 2019 financial year were increased by an average of 67%, as approved by shareholders at the previous AGM. Curro had adjusted the non-executive directors' fees in 2019, after considering non-executive director remuneration benchmarks in comparable industries with similar attributes.



#Learners2Leaders – Curro Monaghan



SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS



Commentary

The Curro summarised report provides an overview of the activities, results and financial position of the Group for the year ended 31 December 2019.

Learner numbers

	Dec 2018	Dec 2019	% increase	Jan 2020	% increase
Existing schools	51 305	57 597		61 839	7%
New schools				468	
Organic growth	51 305	57 597		62 307	8%
Acquisitions				391	
Total	51 305	57 597	12%	62 698	9%
Nursery school	7 734	8 068	4%	7 634	(5%)
Primary school	29 076	32 318	11%	34 476	7%
High school	14 495	17 211	19%	20 588	20%

Overview of results

Curro is the largest independent school group in southern Africa. It has a portfolio of 175 schools serving various market segments and is proving its resilience in a tough and challenging economy.

From 2018 to 2019, learner numbers increased by 12% from 51 305 to 57 597. This resulted in an 18% increase in revenue from R2 496 million in 2018 to R2 944 million for the year ended 31 December 2019. Despite the increase in revenue, recurring headline earnings and recurring headline earnings per share decreased by 15% from R248 million to R212 million and from 60.1 cents to 51.0 cents over the same period due to:

- The deliberate strategy to retain learners in a depressed economy which negatively impacted the net revenue per learner as well as increasing the net bad debt expense.
- An increase in interest expense as a result of the investment of R2 billion in new campuses and acquisitions since 2016. Although these investments are not yet yielding profits in excess of the cost of debt, we are encouraged by the performance of these schools in such a short time frame.
- The changing composition of learner numbers across schools and grades which had an adverse impact on teacher numbers.
- Economic pressure on selected established schools at the upper end of the market and in selected rural locations.

Investments and expansion

During 2019, R1.3 billion was invested in the business. The capital was deployed in the following projects:

- Construction of four new campuses (five schools) to the value of R185 million. These campuses include Curro New Road (Gauteng), Curro Delft (Western Cape) and Curro Academies at the Blyde (Gauteng) and Mbombela (Mpumalanga).
- R949 million invested in the expansion of existing campuses, which included significant expansions at Curro Vanderbijlpark, Building Blocks, Curro Hillcrest and Curro Academy Pretoria.
- R24 million invested in land banking and R127 million on acquisitions

The group plans to invest approximately R1 billion in growth and development projects in 2020.

Dividend declaration

It is the board's policy to pay 20% of recurring headline earnings as an annual dividend. The board has accordingly resolved to pay a final dividend of 10.2 cents per share (2018: 12 cents per share) from income reserves for the year ended 31 December 2019.

The dividend amount, net of South African dividend tax of 20%, is 8.16 cents per share.

The number of ordinary shares in issue at the declaration date is 412 087 989, and the income tax number of the Company is 915/907/00/29.

The salient dates for this dividend distribution are:

Declaration date	Tuesday, 25 February 2020
Last day to trade cum dividend	Tuesday, 10 March 2020
Trading ex-dividend commences	Wednesday, 11 March 2020
Record date	Friday, 13 March 2020
Payment date	Monday, 16 March 2020

Share certificates may not be dematerialised or rematerialised between Wednesday, 11 March 2020 and Friday, 13 March 2020, both days inclusive.

Prospects

From end 2019 to January 2020, learner numbers have grown by 9% from 57 597 to 62 698. Strong growth was achieved in the high school grades, particularly in the Curro Academy schools.

Curro has proven that it can grow its learner numbers as well as revenue in challenging economic times. Focusing on efficiencies, increasing utilisation of existing capacity and lower capital investment will result in future earnings growth and cash generation.

On behalf of the board



SL Botha
Chairperson

24 February 2020



AJF Greyling
Chief Executive Officer

Summary consolidated statement of comprehensive income

	Change	Audited 31 Dec 2019 12 months R million	Audited 31 Dec 2018 12 months R million
Revenue	18%	2 944	2 496
Expected credit losses on financial assets*	131%	(37)	(16)
Operating expenses	19%	(2 214)	(1 853)
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	11%	693	627
– Schools' EBITDA	13%	873	772
– Head office EBITDA	24%	(180)	(145)
Depreciation and amortisation	21%	(187)	(154)
Earnings before interest and taxation (EBIT)	7%	506	473
Interest income	(35%)	36	55
Impairment of property, plant and equipment	n/a	(104)	–
Profit on sale of property, plant and equipment	n/a	2	–
Share of losses of associate	n/a	–	(1)
Loss on disposal of investment in associate	n/a	–	(1)
Gain on bargain purchase	n/a	27	–
Finance costs	45%	(279)	(193)
Profit before taxation (PBT)	(44%)	188	333
Taxation	(99%)	(1)	(91)
Profit for the year (PAT)	(23%)	187	242
Other comprehensive income:			
Net fair value (loss)/profit on cash flow hedges	n/a	(13)	6
Foreign currency translation adjustments	n/a	–	(1)
Total comprehensive income	(30%)	174	247
Profit attributable to:			
Owners of the parent	(18%)	202	248
Non-controlling interest	150%	(15)	(6)
		187	242
Total comprehensive income attributable to:			
Owners of the parent	(25%)	189	253
Non-controlling interest	150%	(15)	(6)
	(30%)	174	247
Reconciliation of headline earnings:			
Earnings attributable to owners of the parent		202	248
Adjusted for:			
Impairment of property, plant and equipment		104	–
Gain on bargain purchase		(27)	–
Profit on sale of property, plant and equipment		(2)	–
Non-controlling interest		(6)	–
Taxation		(18)	–
Headline earnings	2%	253	248

* Restated to comply with IAS 1 disclosure requirements

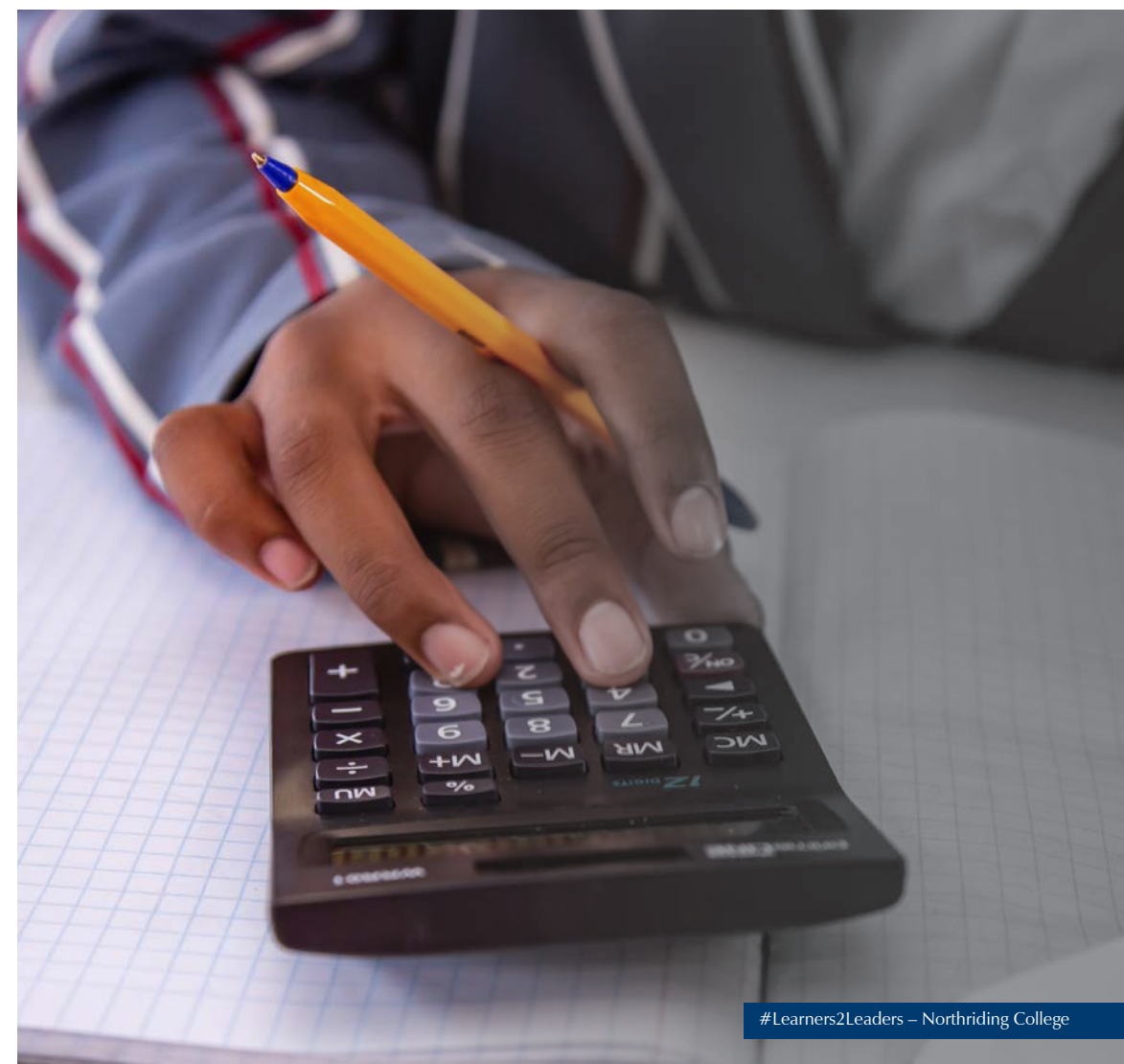
	Change	Audited 31 Dec 2019 12 months R million	Audited 31 Dec 2018 12 months R million
Headline earnings (continued)	2%	253	248
Reversal of deferred tax liability		(53)	–
Retrenchment cost net of tax		7	–
Other		5	–
Recurring headline earnings	(15%)	212	248
EBITDA margin		24%	25%
Schools' EBITDA margin		30%	31%
Earnings per share (cents)			
– Basic	(18%)	49.0	60.0
– Diluted	(18%)	49.0	59.8
Headline earnings per share (cents)			
– Basic	2%	61.1	60.1
– Diluted	2%	61.1	60.0
Recurring headline earnings per share (cents)	(15%)	51.0	60.1
Number of shares in issue (millions)			
– Basic		412.1	412.1
– Diluted		412.1	413.0
Weighted average number of shares in issue (millions)			
– Basic		412.1	412.1
– Diluted		412.1	413.0

Summary consolidated statement of financial position

	Audited 31 Dec 2019 R million	Audited 31 Dec 2018 R million
ASSETS		
Non-current assets	9 913	8 718
Property, plant and equipment	8 870	7 937
Right-of-use assets	200	–
Goodwill	565	520
Other intangible assets	265	239
Other financial assets	5	14
Deferred tax assets	8	8
Current assets	529	447
Inventories	14	5
Current tax receivable	2	1
Other financial assets	34	21
Trade receivables	180	89
Other receivables	128	146
Investment in money market	57	15
Cash and cash equivalents	114	170
Non-current assets held for sale	43	–
Total assets	10 485	9 165
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent	5 405	5 238
Share capital	4 733	4 733
Reserves	(4)	9
Retained income	676	496
Non-controlling interest	11	34
Total equity	5 416	5 272
LIABILITIES		
Non-current liabilities	4 446	3 400
Other financial liabilities at amortised cost	3 653	2 844
Other financial liabilities at fair value (note 4)	27	9
Deferred tax liabilities	557	533
Lease liability	195	–
Contract liability	14	14
Current liabilities	623	493
Loans and other financial liabilities	84	49
Trade and other payables	186	143
Current tax payable	1	–
Lease liability	20	–
Contract liability (mainly prepaid school fees)	214	197
Development and acquisitions payables	19	26
Bank overdraft	99	78
Total liabilities	5 069	3 893
Total equity and liabilities	10 485	9 165
Net asset value per share (cents)	1 312	1 277

Summary consolidated statement of changes in equity

	Audited 31 Dec 2019 12 months R million	Audited 31 Dec 2018 12 months R million
Balance at the beginning of the year	5 272	4 996
Total comprehensive income	174	247
Dividends paid	(49)	–
Other movements	19	29
Balance at the end of the year	5 416	5 272



Summary consolidated segmental report

	Change	Audited 31 Dec 2019 R million	Audited 31 Dec 2018 R million
Learner numbers	12%	57 597	51 305
– Curro	15%	48 404	41 992
– Meridian	(1%)	9 193	9 313
Revenue	18%	2 944	2 496
– Curro	19%	2 655	2 222
– Meridian	5%	289	274
Schools' EBITDA	13%	873	772
– Curro	13%	809	714
– Meridian	10%	64	58
Net head office expenditure	24%	(180)	(145)
– Curro	29%	(172)	(133)
– Meridian	(33%)	(8)	(12)
EBITDA margin		24%	25%
– Curro		24%	26%
– Meridian		19%	17%
Recurring headline earnings	(15%)	212	248
– Curro	(11%)	230	259
– Meridian*	64%	(18)	(11)
Recurring headline earnings per share (cents)	(15%)	51.0	60.1
– Curro	(12%)	55.4	62.8
– Meridian*	63%	(4.4)	(2.7)
Earnings per share (cents)	(18%)	49.0	60.0
– Curro	(11%)	56.0	62.7
– Meridian	159%	(7.0)	(2.7)
Total assets	14%	10 485	9 165
– Curro	16%	9 791	8 473
– Meridian	-	694	692
Total liabilities	30%	5 069	3 893
– Curro	35%	4 396	3 267
– Meridian	8%	673	626
Net asset value per share (cents)	3%	1 312	1 277

Note:

The executive committee (exco) also assesses the performance of operating segments based on recurring headline earnings.

* Included in the Meridian results is an interest charge of R43 million to shareholders in proportion to their shareholding. Had this been excluded from the Meridian results, its recurring headline earnings would have resulted in a R10 million recurring headline earnings and recurring headline earnings per share of 2.4 cents. This would have had a zero impact on the group's results.

Summary consolidated statement of cash flows

	Change	Audited 31 Dec 2019 12 months R million	Audited 31 Dec 2018 12 months R million
Cash generated from operations	13%	714	632
Tax paid	(28%)	(13)	(18)
Net finance cost	48%	(204)	(138)
Working capital movements – operations	130%	(23)	(10)
Working capital movements – investments	(91%)	(7)	(78)
Net cash generated from operating activities	20%	467	388
Net cash utilised in investing activities	(6%)	(1 285)	(1 373)
Net cash from financing activities	46%	741	506
Cash and cash equivalents movement for the year	(84%)	(77)	(479)
Cash and cash equivalents at the beginning of the year	(84%)	92	571
Cash and cash equivalents at the end of the year ^	(84%)	15	92

^ Includes cash and cash equivalents as well as the bank overdraft on the statement of financial position.

Key ratios (unaudited)

	31 Dec 2017	31 Dec 2018	31 Dec 2019	31 Jan 2020
Number of campuses	51	58	70	76
Number of schools	127	139	166	175
Number of learners	45 870	51 305	57 597	62 698
Average number of learners per campus	899	885	823	825
Number of employees	5 369	5 628	6 076	6 388
Number of teachers	2 778	2 945	3 230	3 470
Learner/teacher ratio	17	17	18	18
Building size (m ²)	598 194	656 081	700 946	
Land size (ha)	444	514	536	
Capital investment (R million)	1 192	1 373	1 285	
– Current campuses (R million)	652	590	949	
– New campuses (R million)	472	534	209	
– Acquisitions (R million)	12	369	127	
– Stadio (R million)	56	(120)	–	

Notes to the summary consolidated financial statements

1. Basis of preparation

The summary consolidated financial statements of the Group for the year ended 31 December 2019 have been prepared in accordance with the requirements of the JSE Limited Listings Requirements for summary financial statements, and the requirements of the Companies Act applicable to summary financial statements. The JSE Limited Listings Requirements require summary financial statements 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 IFRS and are consistent, except as detailed in note 3 below, 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 financial records.

2. Accounting policies

The accounting policies applied in the preparation of the consolidated financial statements are consistent with those of the annual financial statements for the year ended 31 December 2018, except for the mandatory adoption of IFRS 16 Leases which became effective 1 January 2019. For a comprehensive list of standards and interpretations that have been adopted, we refer you to our 31 December 2019 annual financial statements.

In preparing these summary consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2018, except where impacted by the adoption of the new accounting standards as indicated above.

3. Business combinations

Effective 1 January 2019, Curro acquired Sagewood School in Gauteng and Creston College in KwaZulu-Natal. Effective 1 October 2019, Curro acquired Land of Oz School in Gauteng.

	R million
The following assets and liabilities were recognised:	
Property, plant and equipment	151
Other intangible assets	1
Inventories	1
Trade and other receivables	2
Cash and cash equivalents	4
Deferred tax liabilities	(40)
Trade and other payables	(5)
Total identifiable net assets	<u>114</u>
Goodwill	45
Gain on bargain purchase	(27)
	<u>132</u>
Total purchase consideration	
Cash consideration paid	(127)
Outstanding purchase consideration	(5)
	<u>(132)</u>
Net cash outflow on acquisition	
Cash consideration paid	(127)
Cash and cash equivalents acquired	4
	<u>(123)</u>



4. Cashflow hedges

R million	Dec 2019	Dec 2018
Fixed-for-variable interest rate swap liabilities	27	9

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

5. Change in accounting policy

IFRS 16 was adopted using the simplified approach with the date of initial application being 1 January 2019, using the incremental borrowing rate as opposed to the interest rate implicit to the lease, across all leases. No restatement of comparative figures with the cumulative effect of initially applying the standard recognised at the date of initial application.

	R million
Impact on the statement of financial position as at 31 December 2019	
Assets	
Right-of-use assets	200
Total assets	200
Liabilities	
Lease liability	(215)
Total liabilities	(215)
Impact on the statement of comprehensive income for the year ending 31 December 2019	
Depreciation	(8)
IAS 17 rent expense	17
Profit from operating activities	9
Finance cost	(24)
Taxation	4
Impact on profit for the year	(11)

6. Events after the reporting period

Curro acquired the entire business operations and properties of The King's School in Gauteng for a total purchase consideration of R44.3 million combined. This acquisition became effective on 1 January 2020.



#Learners2Leaders: Northern Academy



Independent auditor's report on the summary consolidated financial statements

To the Shareholders of Curro Holdings Limited

Opinion

The summary consolidated financial statements of Curro Holdings Limited, set out on pages 100 to 110 of the Annual Integrated Report 2019, which comprise the summary consolidated statement of financial position as at 31 December 2019, the summary consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Curro Holdings Limited for the year ended 31 December 2019.

In our opinion, the accompanying summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements, in accordance with the JSE Limited's (JSE) requirements for summary financial statements, as set out in note 1 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Summary Consolidated Financial Statements

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon. The summary consolidated financial statements and the audited consolidated financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited consolidated financial statements.

The Audited Consolidated Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 24 February 2020. That report also includes communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period.

Director's Responsibility for the Summary Consolidated Financial Statements

The directors are responsible for the preparation of the summary consolidated financial statements in accordance with the JSE's requirements for summary financial statements, set out in note 1 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), Engagements to Report on Summary Financial Statements.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: D de Jager
Registered Auditor
Stellenbosch

23 April 2020
PricewaterhouseCoopers
Capital Place, 15-21 Neutron Avenue, Techno Park, Stellenbosch, 7600
P O Box 57, Stellenbosch, 7599
T: +27 (0) 21 815 3000, F: +27 (0) 21 815 3100, www.pwc.co.za

Chief Executive Officer: L S Machaba
Management Committee: S N Madikane, J S Masondo, P J Mothibe, C Richardson, F Tonelli, C Volschenk
The Company's principal place of business is at 4 Lisbon Lane, Waterfall City, Jukskei View, where a list of directors' names is available for inspection.
Reg. no. 1998/012055/21, VAT reg.no. 4950174682.

ANNEXURE A

A brief history

Curro was established in 1998. Dr Chris van der Merwe (Chris), Curro's former chief executive officer, initially envisioned the establishment of a small independent school that was intended to accommodate only an intermediate school phase (Grade 4 to Grade 7) in a converted house.

Soon after the planning had been completed, Eduard Ungerer, one of Chris's business partners in a small publishing enterprise, joined him in the school venture, and the school opened with 28 learners in a church in Durbanville, Cape Town on 15 July 1998. Other founding members were Loch van Niekerk, Eddie Conradie and Thys Franken.

In 2004, Senior Advocate Fef le Roux (Curro's chairperson from 2009 to March 2013) purchased 30% of the company's shares. In 2005, Educor (Pty) Ltd (Educor), a subsidiary of Naspers Ltd (Naspers), acquired 25% of Curro's shares. With this support, the company entered into a business vision of establishing 20 Curro campuses countrywide. When Naspers disposed of Educor in 2006, a pre-emptive right triggered the repurchase of the 25% shares by the founders of the company and Fef le Roux and two of his colleagues at the Cape Bar. At that stage the company had three established schools. At this time, Andries Greyling, the former financial director and now chief executive officer of Curro, also acquired shares in the company.

In 2009, PSG Group Ltd approached Curro and became a 50% partner through their subsidiary, Paladin Capital (Pty) Ltd, at the beginning of 2010. With the adoption of the development plan to have 40 campuses by 2020 and the capital investment that this would entail, Paladin Capital increased its shareholding to 75%.

On 2 June 2011, Curro listed on the JSE (AltX), with a vision of 40 campuses and 45 000 learners by 2020. It raised R318 million through a rights offer soon thereafter.

A further rights offer and private placement to the value of R476 million were completed in July 2012. The capital was utilised for the expansion required at the existing schools and to acquire Woodhill College (Pretoria, Gauteng), Embury College (Durban, KwaZulu-Natal) and Rosen Castle (Durbanville, Western Cape). Rosen Castle laid the foundation for the development of nursery schools under the Curro Castle brand.

Curro also transferred from the JSE's AltX to a Main Board listing in July 2012.

In July 2012, Curro, the Public Investment Corporation (PIC) and Old Mutual, through the Schools Fund (SEIIFSA), joined forces to provide R440 million in capital for the development of a group of Meridian schools to accommodate approximately 20 000 learners.

In May 2013 a rights offer and private placement to the value of R661 million took place to enable Curro to expand its existing schools and to develop new schools in Ballito (KwaZulu-Natal) and Port Elizabeth (Eastern Cape). A Curro Castle was also established in George (Western Cape).

In 2013 Curro, through Capmac (Campus and Property Management Company (Pty) Ltd), acquired Northern

Academy (Limpopo), a school in Polokwane with approximately 4 000 learners, 2 500 of whom resided in the school boarding facilities. Meridian Karino (Nelspruit, Mpumalanga) was also developed through Capmac. Curro and Old Mutual, through the Financial Sector Charter Fund, provided another R188 million (collectively referred to as the Meridian joint venture) in capital for the future development of Meridian school properties.

Curro issued R150 million in five-year bonds through a JSE-listed domestic medium-term note programme in 2013.

The 2013 year ended on a high note with 21 027 learners, and five new campuses under construction.

In June 2014 R600 million was raised through a rights offer to enable Curro to expand existing schools, develop new schools in Brackenfell (Western Cape), Secunda (Mpumalanga), Monaghan Farm (Lanseria, Gauteng), Kathu (Northern Cape), Mahikeng (North West) and Soshanguve (Pretoria North, Gauteng), and to acquire Waterstone College (Pty) Ltd (in Johannesburg South, Gauteng) and Grantleigh (KwaZulu-Natal).

In 2014 a further two Meridian schools were developed through the Meridian joint venture – one in Cosmo City (Roodepoort, Gauteng) and one in Newcastle (KwaZulu-Natal).

Curro issued R125 million in five-year bonds through its JSE-listed domestic medium-term note programme and raised R450 million of financing through Standard Bank.

Also in 2014, seven further sites to the value of about R100 million were purchased for future development. The 2014 year ended with approximately 28 737 learners and 10 new campuses, eight of which had been constructed and two acquired.

Curro achieved R1 billion in revenue for the first time in 2015 and achieved its pre-listing objective of 40 campuses five years ahead of its original target of 2020.

In 2015 Curro invested R1 billion in growth and expansion projects, partially funded through a rights offer to the value of R740 million that took place in May 2015. New schools added to the group were in Sitari, Somerset West (Western Cape), Hillcrest (KwaZulu-Natal), Waterfall Estate (Gauteng), Bryanston (Gauteng) and Douglasdale (Gauteng). The three schools in Gauteng were Castles (nursery schools). R646 million was invested in existing campuses, and about R85 million in the acquisition of sites for future growth.

As at 31 December 2016, the group had 43 183 learners enrolled. The group developed an additional seven campuses during the year, resulting in the group currently having 115 schools (49 campuses). The new schools to the value of R920 million that were added included Waterfall Primary School (Gauteng), Curro Century City High School (Western Cape), Curro Krugersdorp High School (Gauteng), Curro Rivonia Castle and Primary School (Gauteng), Curro Academy Wilgeheuwel Primary and High School (Gauteng), Curro Academy Clayville Primary School (Gauteng), and Curro Academy Pretoria Primary and High School (Gauteng). The

group also added a tertiary-education campus in Waterfall Estate (Gauteng).

Three acquisitions took place during the 2016 year, namely Windhoek Gymnasium (Namibia), Building Blocks schools (nursery school and primary school), and St Conrad's College (pre-primary, primary and high school). The total amount invested in growth (i.e. land banking, acquisitions, new schools and expansion on existing campuses) was R1.7 billion.

During 2017, Curro invested R976 million in the construction of five new campuses as well as in expansion on existing campuses. The five new campuses included Curro Castle Oakdene (Gauteng), Curro Castle Uitzicht (Western Cape), Curro Academy Mamelodi (Gauteng), Curro Academy Riverside (Gauteng) and Curro Academy Sandown (Western Cape).

Expansion projects included significant expansions at Curro Roodeplaat (high school), Curro Academy Wilgeheuwel (high school), Windhoek Gymnasium (Namibia), Curro Hillcrest Academy and Curro Hermanus.

It was also during this year that the tertiary-education business, Stadio, listed separately on the Main Board of the JSE and unbundled from Curro on 3 October 2017.

2018 saw the expansion of the group with the acquisition of Dot's Learning Centre, a centre for assisted learning (Western Cape), Cooper College (including Magic Beings) in Gauteng, Baobab School (Gaborone, Botswana), and Northriding College (Gauteng).

The construction of six new campuses to the value of R398 million escalated the number of campuses to 58 and the number of schools to 138. These campuses included Curro Vanderbijlpark and Edenvale (both in Gauteng), Curro Academy schools at Parkdene (Boksburg), Protea Glen (Soweto) and Savanna City (Johannesburg), as well as a Curro Castle at Burgundy Estate (Cape Town).

R603 million was invested in the expansion of existing

campuses, which included significant expansions at Curro Roodeplaat, Curro Academy Wilgeheuwel, Windhoek Gymnasium (Namibia), Curro Midrand (previously Building Blocks), and Curro Heritage House (previously Curro Embury).

By January 2019, both organic and acquisitive growth had contributed to more than 57 000 learners across 68 campuses (164 schools) attending a Curro school in 2019.

In addition, Curro extended its brand offering in January 2019 with the opening of Curro Foreshore (Cape Town), a new tech-focused schooling model (DigiEd). This school provides a progressive curriculum focused on Mathematics, Science, Robotics and Coding – essential subjects for learners to operate in the fourth industrial revolution era.

Curro also opened the doors of Curro Private College Rivonia (Gauteng). This educational facility is the first in their stable to offer the National Certificate Vocational (NCV) as an alternative to the National Senior Certificate. The college's focus in 2019 is on an NCV programme for Information Technology and Computer Sciences.

During 2019, Curro invested R185 million in the construction of four new campuses (five schools) that opened their doors to new learners in January 2020. These included Curro New Road (Gauteng), Curro Delft (Western Cape), Curro Jewel City (Gauteng) and Curro Academy Schools at The Blyde (Gauteng) and Mbombela (Mpumalanga). R949 million was invested in significant expansion of existing campuses, which included Curro Vanderbijlpark, Building Blocks, Curro Hillcrest and Curro Academy Pretoria.

Curro also welcomed Land of Oz Nursery School, Creston College and Sagewood School to the group during 2019.

From the end of 2019 to January 2020, learner numbers had grown from 57 597 to 62 698 on 76 campuses (175 schools). Included in this was the acquisition of The King's School Linbro Park, which was acquired in January 2020.



#Learners2Leaders: Curro Sport

Abbreviation	Description
AFS	Audited financial statements
AGM	Annual general meeting
B-BBEE	Broad-based black economic empowerment
Board	Governing body or the board of directors of Curro Holdings Limited
Capmac	Campus and Property Management Company (Proprietary) Limited
CAPS	Curriculum Assessment Policy Statements
CCMD	Curro Curriculum Management and Delivery
CEO	Chief executive officer
CFO	Chief financial officer
CIO	Chief investment officer
Companies Act	Companies Act of South Africa, as amended
Company	Curro Holdings limited, an organisation registered as a public company and listed on the JSE Limited with registration number 1998/025801/06
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
Exco	Executive committee
Group	Curro Holdings Limited and its subsidiaries
HEPS	Headline earnings per share
HR	Human resources function
IEB	Independent Examinations Board
IFRS	International Financial Reporting Standards
ISCR	Interest Service Cover Ratio
IT	Information and technology and/or information technology and systems
JSE	JSE Limited
King IV	King IV Report on Corporate Governance™ for South Africa, 2016. Copyright and trademarks are owned by the Institute of Directors in southern Africa NPC and all of its rights are reserved.
Land banking Ltd	The acquisition of land for the purpose of developing schools Limited
LTI	Long-term incentive
Meridian	In July 2012, Curro, the Public Investment Corporation (PIC) and Old Mutual, through the Schools Fund (SEIIFSA), provided R440 million in capital for the development of a group of Meridian schools to accommodate approximately 20 000 learners. In 2017, Curro and Old Mutual, through the Financial Sector Charter Fund (FSC Fund), provided another R188 million in capital for the future development of Meridian school properties. Capmac owns the properties, and the schools owned by Meridian Operations Company (RF) NPC are managed by Curro. In the report, reference to Meridian relates to this ring-fenced venture, the main purpose of which is to provide affordable quality education. Curro owns 65% of the equity of Capmac.
MOI	Memorandum of incorporation
NCV	National Certificate Vocational
NSC	National Senior Certificate
OHASA	Occupational Health and Safety Act No 85 of 1993, as amended
Old Mutual	Old Mutual Life Assurance Company South Africa Ltd
PAC	Parent Advisory Committee
PAT	Profit after tax
PIC	Public Investment Corporation
Pty (Ltd)	Proprietary Limited
SEIIFSA or Schools Fund	Schools and Education Investment Impact Fund of South Africa
SENS	Stock Exchange News Service
STEAMD	Science, Technology, Engineering, Arts, Mathematics and Design
STI	Short-term incentive
TCTC	Total-cost-to-company
Umalusi	The Umalusi Council for Quality Assurance in General and Further Education and Training

Curro Holdings Limited and its subsidiaries

(Registration number 1998/025801/06)

General information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Independent schools and education services
Directors	<p>Executive</p> <p>Mr AJF Greyling Mr B van der Linde</p> <p>Non-executive</p> <p>Mr PJ Mouton Dr CR van der Merwe</p> <p>Independent non-executive</p> <p>Ms SL Botha (chairperson) Mr ZL Combi Ms ZN Mankai Ms T Molefe Prof. SWF Muthwa Mr DM Ramaphosa</p>
Registered office and business address	38 Oxford Street Durbanville Cape Town South Africa 7550
Postal address	PO Box 2436 Durbanville Cape Town South Africa 7551
Holding company	PSG Financial Services Ltd, incorporated in South Africa
Ultimate holding company	PSG Group Ltd, incorporated in South Africa
Bankers	Absa Bank Ltd First National Bank Ltd Standard Bank of South Africa Ltd
Auditor	PricewaterhouseCoopers Inc.
Curro's company secretary in an acting capacity	Mr RW Botha
Company registration number	1998/025801/06
Tax reference number	9159/070/02/9



www.curro.co.za

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