**HEPS 55%** from 28.3 cents to **43.9 cents** 

**EBITDA 33**% from R292m to **R387m** 

**REVENUE 27**% from **R1 384m** to **R1 761m** 

**LEARNERS 14%** from 41 864 to **47 589** 

# **CONDENSED CONSOLIDATED STATEMENT OF**

	Percentage change	Reviewed 31 Dec 2016 R million	Audited 31 Dec 2015 R million
Revenue	27%	1 761	1 384
Operating expenses	26%	(1 374)	(1 092)
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	33%	387	292
Schools EBITDA	30%	497	382
Head office EBITDA	22%	(110)	(90)
Depreciation and amortisation	27%	(108)	(85)
Earnings before interest and			
axation (EBIT)	35%	279	207
Investment revenue	119%	59	27
Gain from bargain purchase	275%	15	4
Share of profits of associates	0%	(11)	1
mpairment Finance costs	83% 8%	(11)	(6
		(127)	(118
Profit before taxation (PBT)	88%	216	115
Taxation	109%	(48)	(23
Profit for the period (PAT) Other comprehensive income: Net fair value (loss)/profit on cash-flow	83%	168	92
hedges, after taxation	Na	(21)	25
Total comprehensive income	26%	147	117
Profit attributable to:			
Owners of the parent	76%	172	98
Non-controlling interest	(33%)	(4)	(6)
	83%	168	92
Total comprehensive income attributable to:			
Owners of the parent	23%	151	123
Non-controlling interest	(33%)	(4)	(6)
	26%	147	117
Reconciliation of headline earnings:			
Earnings attributable to owners of the parent		172	98
Adjusted for:		1/2	50
Loss on impairment		11	6
Gain from bargain purchase		(15)	(4)
Loss on disposal of property, plant			
and equipment		1	_*
Headline earnings	69%	169	100
EBITDA margin		22%	21%
EBITDA margin for schools		29%	28%
Earnings per share (cents)			
	61%	44.7	27.8**
- Basic		44.5	27.4**
- Basic - Diluted	63%	11.5	
– Basic – Diluted Headline earnings per share (cents)	63%		20.2**
– Basic – Diluted H <b>eadline earnings per share (cents)</b> – Basic	63% 55%	43.9	28.3**
- Basic - Diluted H <b>eadline earnings per share (cents)</b> - Basic - Diluted	63%		28.3** 27.9**
- Basic - Diluted Headline earnings per share (cents) - Basic - Diluted Number of shares in issue (million)	63% 55%	43.9 43.7	27.9**
- Basic - Diluted Headline earnings per share (cents) - Basic - Diluted Number of shares in issue (million) - Basic	63% 55%	43.9 43.7 407.2	27.9** 362.2**
- Basic - Diluted Headline earnings per share (cents) - Basic - Diluted Number of shares in issue (million) - Basic - Diluted Weighted average number of shares in	63% 55%	43.9 43.7	27.9** 362.2**
- Basic - Diluted  Headline earnings per share (cents) - Basic - Diluted  Number of shares in issue (million) - Basic - Diluted  Weighted average number of shares in issue (million)	63% 55%	43.9 43.7 407.2	27.9**

- Balances less than R500 000 is displayed as Nil in million rounding.
- \*\*Earnings per share and headline earnings per share for the comparative period have been adjusted downwards by 0,4 cents for the year ended 31 December 2015 compared to the audited annue financial statements for the year ended 31 December 2015. This is due to the retrospective adjustmen for the bonus element of the 2016 rights offer undertaken. The adjustment to basic and diluted weighted average number of shares in issue is an increase of 5.2 million and 5.3 million shares for the year ended 31 December 2015 due to the bonus element contained within the rights offer.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Percentage change	Reviewed 31 Dec 2016 R million	Audited 31 Dec 2015 R million
Cash generated from operations	30%	399	306
Taxation paid	(11%)	(8)	(9)
Finance costs	(25%)	(68)	(91)
Working capital movements	Na	81	(44)
Net cash generated from operating activities Net cash utilised in investing activities Net cash inflow from financing activities	149% 65% 96%	404 (1 700) 1 771	162 (1 030) 904
Cash and cash equivalents movement for the period Cash and cash equivalents at the beginning of the period		475 231	36 195
Cash and cash equivalents at the end of the period		706	231

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES

	Reviewed 31 Dec 2016 R million	
Balance at the beginning of the period	3 081	2 211
Total comprehensive income	147	117
Issue of shares	1 749	756
Share issue costs	(27)	(14)
Recognition of share-based payments	14	11
Balance at the end of the period	4 964	3 081

## **KEY RATIOS (UNREVIEWED)**

,				
	31 Dec 2014	31 Dec 2015	31 Dec 2016	31 Jan 2017
Number of campuses	33	42	49	54
Number of schools	80	101	115	127
Number of learners	28 737	35 970	43 183	47 589
Average number of learners per campus	871	856	881	881
Number of employees	3 128	3 969	4 806	4 990
Number of educators	1 905	2 339	2 595	2 734
Learner/educator ratio	15	15	17	17
Building size (m <sup>2</sup> )	392 314	449 067	558 683	
Land size (ha)	298	359	434	
Capital investment (R million)	1 305	1 030	1 700	
- Current campuses	651	646	571	
<ul> <li>New campuses</li> </ul>	482	369	649	
– Acquisitions	172	15	266	
– Embury	_	_	214	

## J-CURVE (UNREVIEWED)

The table below illustrates the J-Curve effect from newly established schools to more mature schools by age

	Number at 3	1 Dec 2016	Learne	r numbers (I	Dec)	Grow	th	Schools El	BITDA (R m	nillion)	Grow	⁄th	EBIT	DA margin		Event	tual capacit	y
	Campuses	Schools	2014	2015	2016	14/15	15/16	2014	2015	2016	14/15	15/16	2014	2015	2016	2014	2015	2016
Developed schools	33	80	14 645	20 694	24 699	41%	19%	111	174	258	57%	48%	23%	23%	27%	40%	40%	42%
2009 and before*	3	8	3 100	3 332	3 470	7%	4%	31	37	44	19%	20%	28%	28%	29%	79%	84%	88%
2010	2	6	1 994	2 120	2 232	6%	5%	17	24	31	41%	29%	25%	29%	33%	62%	66%	69%
2011	6	16	3 721	4 337	4 567	17%	5%	25	40	52	60%	30%	19%	23%	26%	39%	45%	47%
2012	2	6	1 362	1 618	1 788	19%	11%	8	15	19	88%	24%	17%	23%	25%	40%	48%	53%
2013	4	11	3 645	4 922	5 757	35%	17%	37	67	93	78%	37%	32%	38%	41%	37%	50%	59%
2014	4	8	823	1 271	1 531	54%	20%	(7)	1	3	Na	200%	(32%)	2%	2%	12%	19%	22%
2015	8	19	_	3 094	4 767	-	54%	_	(10)	17	-	Na	_	(13%)	13%	_	20%	31%
2016	4	6	_	-	587	-	-	_	-	(1)	-	-	_	-	(2%)	_	-	10%
Acquired schools	16	35	14 092	15 276	18 484	8%	21%	151	211	243	40%	15%	30%	33%	30%	72%	75%	73%
2012 and before	8	17	6 483	6 851	6 884	6%	_	97	121	130	25%	7%	36%	38%	36%	68%	72%	72%
2013	2	3	5 690	5 779	5 541	2%	(4%)	45	52	52	16%	0%	29%	30%	28%	74%	75%	71%
2014	2	5	1 919	2 046	2 441	7%	19%	9	34	43	278%	26%	12%	28%	29%	82%	84%	85%
2015 and 2016	4	10	_	600	3 618	-	503%	_	4	18	-	350%	_	17%	19%	_	81%	69%
Property rental and royalties									(3)	(4)								
Total	49	115	28 737	35 970	43 183	25%	20%	262	382	497	46%	30%	26%	28%	29%	51%	50%	52%

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

### CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FINANCIAL POSITION		
	Reviewed 31 Dec 2016 R million	Audited 31 Dec 2015 R million
ASSETS		
Non-current assets	6 269	4 748
Property, plant and equipment*	5 635	4 242
Goodwill	428	333
ntangible assets	167	134
nvestment in associate	11	10
Other financial assets	28	29
Current assets	1 052	331
nventories	10	8
Current tax receivable	7	6
Other financial assets	244	50
Trade receivable** Other receivables**	29 56	20 16
Cash and cash equivalents	706	231
zasii and casii equivalents	700	231
Total assets	7 321	5 079
EQUITY AND LIABILITIES EQUITY		
equity attributable to equity holders of parent	4 976	3 088
Share capital	4 556	2 834
eserves	23	39
Retained income	397	215
Non-controlling interest	(12)	(7
Total equity	4 964	3 081
LIABILITIES Non-current liabilities	1 942	1 750
Loans and other financial liabilities	1 624	1 561
Deferred tax	318	189
Current liabilities	415	248
Loans and other financial liabilities	27	28
Trade and other payables	126	110
Prepaid school fees and deposits	171	104
Development and Acquisition payables**	91	6
Total liabilities	2 357	1 998
Total equity and liabilities	7 321	5 079
Net asset value per share (cents)	1 222	853

- \* In the current year, management reclassified R50 million of Property, plant and equipment to Other financial assets with respect to the comparative year 31 December 2015 in the condensed consolidated statement of financial position. The reclassification had no effect on the condensed consolidated statement of financial position in the previous year other than to more appropriately reflect the nature of the underlying transaction.
- \*\* Trade and other receivables has been separated between Trade receivables and Other receivables and Development payables was grouped with the Acquisition payables with respect to the comparative year, 31 December 2015. The reclassification had no effect on the condensed consolidated statement of financial position other than to enhance the comparability of the balances.

Reviewed

Audited

## CONDENSED CONSOLIDATED SEGMENTAL REPORT

	Percentage	31 Dec 2016	31 Dec 2015
	change	R million	R million
Revenue	27%	1 761	1 384
<ul><li>Curro</li><li>Meridian</li><li>Embury Institute for Higher Education</li></ul>	32%	1 461	1 110
	7%	252	235
	23%	48	39
Schools EBITDA	30%	497	382
– Curro	33%	424	318
– Meridian	11%	62	56
– Embury Institute for Higher Education	38%	11	8
Net head office expenditure	22%	(110)	(90)
<ul><li>Curro</li><li>Meridian</li><li>Embury Institute for Higher Education</li><li>EBITDA margins</li></ul>	25% 0%	(99) (11) – 22%	(79) (11) – 21%
– Curro		22%	22%
– Meridian		20%	19%
– Embury Institute for Higher Education		23%	20%
Headline earnings	69%	169	100
<ul><li>Curro</li><li>Meridian</li><li>Embury Institute for Higher Education</li></ul>	68%	178	106
	55%	(17)	(11)
	60%	8	5
Headline earnings per share (cents)	55%	43.9	28.3
– Curro	55%	46.2	29.9
– Meridian	42%	(4.4)	(3.1)
– Embury Institute for Higher Education	40%	2.1	1.5
Earnings per share (cents)	61%	44.7	27.8
<ul><li>Curro</li><li>Meridian</li><li>Embury Institute for Higher Education</li></ul>	60%	47.0	29.4
	42%	(4.4)	(3.1)
	40%	2.1	1.5
Total assets	44%	7 321	5 079
<ul><li>Curro</li><li>Meridian</li><li>Embury Institute for Higher Education</li></ul>	46%	6 390	4 368
	(1%)	679	681
	740%	252	30
Total liabilities	18%	2 357	1 998
– Curro	6%	1 414	1 339
– Meridian	11%	718	648
– Embury Institute for Higher Education	1 945%	225	11

43% **1 222** 

Net asset value per share (cents)

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. STATEMENT OF COMPLIANCE

The provisional condensed consolidated financial statements for the year ended 31 December 2016 has been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting 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 Listings Requirements of the JSE and the requirements of the Companies Act of South Africa, as amended. The provisional report has been prepared using accounting policies that comply with IFRS which are consistent in all material respects with those applied in the financial statements for the year ended 31 December 2015. The provisional condensed consolidated financial statements have been prepared internally under the supervision of the Chief Financial Officer, B van der Linde, CA(SA) CFA.

### 2. REVIEW CONCLUSION

The provisional condensed consolidated financial statements for the year ended 31 December 2016 has been independently reviewed by the Group's auditor, Deloitte & Touche. The review was conducted in accordance with ISRE 2410 "Review of Interim Financial Information performed by the Independent Auditor of the Entity". A copy of their unmodified review conclusion is available for inspection at the Company's registered office. Any reference to future financial performance included in this announcement, has not been reviewed or reported on by the Company's auditors.

The auditor's report does not necessarily report on all of the information contained in this announcement/provisional report. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of that report together with the accompanying financial information from the registered office of the Company. The directors take full responsibility for the preparation of the provisional report.

### 3. ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the provisional condensed consolidated financial statements are consistent with those of the annual financial statements for the year ended 31 December 2015. For a full list of standards and interpretations which have been adopted, we refer you to our 31 December 2015 annual financial statements.

Effective 13 May 2016, 32.4 million shares were issued by way of an underwritten renounceable rights offer at a subscription price of R33.00 per rights offer share, in the ratio of 1 rights offer share for every 11 Curro ordinary shares. On 13 October 2016, 2.2 million shares were issued to employees through the Curro share incentive scheme. Curro also issued 15.6 million shares through private placements during the year.

## 5. BUSINESS COMBINATIONS

BUSINESS COMBINATIONS
Curro acquired three independent schools during the year being, the business operations and properties of Windhoek Gymnasium, St Conrad's College and the equity of Building Blocks pre-and primary schools.

		Group*
Aggregated business combinations		
Property, plant and equipment		314
Intangible assets		9
Trade and other receivables		3
Cash and cash equivalents		12
Other financial liabilities		(12)
Deferred tax liabilities		(90)
Trade and other payables		(5)
Total identifiable net assets		231
Goodwill		96
Gain on bargain purchase		(15)
		312
Consideration paid		
Cash		278
Deferred purchase consideration		34
		312
Net cash outflow on acquisition		
Cash consideration paid		(278)
Cash acquired		12
		(266)
*Reviewed		
IFRS 13 SWAP DISCLOSURE		
	2016	2015
SWAP asset	585	19 852

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

## financial reporting purposes. 7. EVENTS AFTER THE REPORTING PERIOD

## **RESULTS COMMENTARY**

Learner numbers					
	31 Jan 2015	31 Jan 2016	31 Jan 2017	YOY increase	YOY increase %
Curro and Select	24 362	29 112	33 158	4 046	14
Curro Academy	990	1 633	3 796	2 163	132
Meridian	9 847	10 279	9 657	(622)	(6)
Embury	822	840	978	138	16
Total	36 021	41 864	47 589	5 725	14

We opened the 2017 academic year with 54 campuses. Learner numbers increased from 41 864 in January 2016 to 47 589 at present.

Good growth was achieved in both the Curro and Curro Academy markets. Growth in the Meridian market has been slower.

The education sector is not immune to the impact of the economic downturn in South Africa. However, it is pleasing that bad debt as a percentage of turnover remains at around 1%.

## Tertiary education

In 2016 Curro commenced with the expansion of its tertiary-education business, Embury. At the end of 2017, the Embury operations will move to a new

facility in Durban that can accommodate 2 600 students. The original campus could host 1 000 students. Embury is adding two new campuses to their offering being Waterfall in Midrand and Montana in Pretoria, which will be ready for full intake

Embury is also in the process of concluding a transaction with Ba-Isago University in Botswana as announced on 21 November 2016.

believe that the tertiary-education component can reach more than 100 000 students over the long term.

In view of the potential future growth of the tertiary-education market, Curro has separated the schools and tertiary-education businesses to keep management focused and for segmental reporting purposes. It is envisaged that the tertiary-education business will unbundle and list separately during the year. More details will follow on SENS in due course.

In line with Curro's succession strategy, Andries Greyling, the current Chief Operating Officer of Curro Holdings Limited, will take over from Chris van der Merwe as Chief Executive Officer from 1 July 2017.

Chris van der Merwe, founder of Curro Holdings Limited and current CEO, will become a non-executive director and strategic advisor to Curro. He will also be the non-executive chairperson of the tertiary-education compan

Johan Human, a co-founder of Embury, will remain Embury's CEO. Samara Totaram, previously CEO of Meridian, has taken up the position as Chief Financial Officer of the tertiary-education company.

Curro is pleased with the academic results of its schools and continues to drive innovation in order to improve the outcomes.

	Unreviewed <i>IEB</i>	Unreviewed	Unreviewed NSC*	Unreviewed
	2015	2016	2015	2016
Number of learners	724	877	707	773
Pass rate	99%	99%	98%	93%
University exemption	82%	84%	57%	42%
Ave no. of A's				
per learner	1,1	1,2	0,6	0,3
Average > 60%	69%	70%	43%	30%

\* Meridian schools and Curro Academies

## Financial results

Revenue increased by 27% from R1 384 million in 2015 to R1 761 million in 2016. Schools' EBITDA increased by 30% from R382 million to R497 million over the same period, with EBITDA increasing by 33% from R292 million to R387 million. The ncrease is attributable to the increase in learner numbers. Satisfactory EBITDA margin growth is evident in schools where capacity utilisation increases.

The EBITDA margin increased from 21% to 22%.

Net interest expense decreased by 25% from R91 million to R68 million due to increased interest income, which is a result of Curro shares issued in a rights issue, and private placements. Headline earnings increased by 69% from R100 million to R169 million. However, headline earnings per share increased by 55% from 28,3 cents to 43,9 cents due to the increase in the weighted average number of shares in issue following the rights offer and private placements undertaken in the year.

## Capital investment

During 2016 Curro Holdings invested R1.7 billion in the business. The most significant investments included:

- Construction of nine new campuses to the value of R763 million. These campuses include Curro Waterfall primary school (Gauteng), Curro Century City high school (Western Cape), Curro Krugersdorp high school (Gauteng), Curro Rivonia (Gauteng), Curro Academy Wilgeheuwel (Gauteng), Curro Academy Clayville (Gauteng), Curro Academy Pretoria (Gauteng) and a campus for the Embury Institute for Higher
- Education in Waterfall Estate (Gauteng).

   R571 million invested in the expansion of existing campuses, which included significant expansions at Curro Mount Richmore, Curro Roodeplaat, Meridiar Cosmo City, Meridian Pinehurst, St Dominics and Waterstone College.
- · R100 million invested in land banking. Curro plans to invest up to R1.8 billion in 2017.

## Funding

During the year Curro raised R1 749 million of equity funding:

- R1 071 million through a rights issue;
- R650 million through two private placements; and
- R28 million as a result of shares issued to its employees through the share incentive scheme.

Curro remains lowly geared with a debt to equity ratio of 33%, being 21% if you exclude the ring-fenced Meridian entity

The 2017 investments will be funded through a combination of own cash and

## Dividend

No dividend has been declared for the year under review.

## Prospects

Curro remains optimistic about the growth prospects for the education sector

On behalf of the board

Chairpersor

28 February 2017

CR van der Merwe



Sponsor

## STATUTORY AND ADMINISTRATION

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

Registered office: 38 Oxford Street, Durbanville, 7550

Transfer secretaries: Computershare Investor Services (Pty) Ltd Rosebank Towers, 15 Bierman Avenue, Rosebank, Johannesburg, 2196

Corporate advisor and sponsor: PSG Capital